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# FINANCIAL TIMES

Monday July 13 1992

EUROPE'S BUSINESS NEWSPAPER

### Rabin picks 'dove' Germany 'walking tightrope' over money supply growth Peres to push for Mid-East peace

Yitzhak Rabin yesterday appointed Shimon Peres, a former premier and long-time political "dove", as foreign minister in the new Israeli Labour-led. coalition, which seeks an early breakthrough in Middle East peace talks.

The new government, with Mr Rabin as premier and a commitment to territorial compromise: replaces the hardline Likud party, which has been in government for 15 years. Page 3

Help for Sarajevo: Aid workers took relief. supplies to the most devastated area of Sarajevo for the first time since the slege of the district began. Page 10; Serbs step up pressure in Kosovo,

Bramalea, debt-burdened developer controlled by Toronto's Bronfman family, expects to withdraw from the North American industrial property market and to retain only a handful of its Canadian office buildings as part of a last-ditch effort to maintain the confidence of its lenders. Page 12

**Budget appeals** Britain has invited its Community partners to go back to basics in assessing the European Commission's proposed five-year budget plan, by considering the package from a strict financial perspective. Page 2

Anti-corruption move: Legislation to prevent political corruption will be put forward in the autumn, Pierre Bérégovoy, the French prime minister, announced at the Socialist Party Congress in Bordeaux at the weekend. Page 2

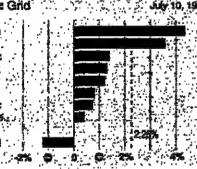
BCCI move: Sheikh Khalid Bin Mahfouz, whose family controls the National Commercial Bank of Saudi Arabia, planned to gain control of the Bank of Credit and Commerce International in the mid-1980s, according to US court documents filed by the Federal Reserve Board. Page 3

Tests on Poper Pope John Paul II was admitted to a Rome clinic yesterday for tests on an intestinal

European Monetary System: Sterling starts the week firmly at the bottom of the EMS grid after a week in which it dropped 2% pfennigs against the D-Mark. The pound's weakness is underlined by the 1.51 percentage point differential that separates it from the Italian lira, the next weakest currency. This suggests the pound will be at the bottom of the grid for some time to come. The Portuguese escudo remains the strongest currency, despite indications by the Bank of Portugal last week that it intends to soften interest rates. The market's eyes are on the Bundesbank fills week, amid spection that it will tighten monetary policy again. Currencies. Page 21

EMS: Grid

Escudo Peseta **B.Franc** D-Mark Guilder Puni F Franc D.Krizina. Sterling



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

Currency droppid: Latvia says its own rouble, which has circulated in parallel with the Russian currency since the start of May, will become the only legal tender from July 20. Page 2

Sell-off: The former biggest distributor of electrical equipment, tools and materials to east German industry, Maschinenbau-und Technikhandel, is to go on sale this week at a price expected to be over Dm150m (\$99m). Page 12 ·

IMF warning: Russia may not be able to complete its full standby agreement with the International Monetary Find before late autumn, a senior IMF official has armed. Page 2

British Airways: A long-expected top management transition will be announced tomorrow at the airline's annual general meeting when Lord King, the 75-year-old chairman, is likely to indicate his intention to step down. Page 11

Hanson: Lord Hanson, chairman of the Anglo-US conglomerate, said the group planned to build its core businesses through acquisitions that were more likely to take place in the US and UK than in mainland Europe. Page-11-

Joint action: Unions representing Ford workers across Europe are combining forces for the first time in dealings with the company. Page 5

Lamont backed: The UK government's determination to maintain its economic strategy was underlined by prime minister John Major as he gave unequivocal backing to the chancellor of the exchequer's refusal to consider a devaluation of sterling. Page 10; Editorial Comment, Page 8

Motor racing: Britain's Nigel Mansell, driving a Williams-Renault, won the British grand prix at Silverstone, to increase his lead in the race for the drivers' world championship. Page 5

Ff Survey: The Survey of Japan, promised for today, will now be published in international editions of the Financial Times on Wednesday,

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FINANCIAL TIMES 9 FT No 31,808 Week No 29 P

By Andrew Fisher and David Marsh in Frankfurt

THE Bundesbank is "walking a tightrope" between the need to curb money supply growth and pressure from Germany's European partners to avoid stilling an economic recovery, a senior Bundesbank official said at the

Germany's money supply has ballooned by nearly 40 per cent in the past two years with the absorption of east Germany, put-

ting the Bundesbank in a severe dilemma as its central council meets this week to review its monetary target for 1992. The central bank, headed by

Mr Helmut Schlesinger, is aware that drastic action to curb growth in the money supply would upset its EC partners. But in the last resort it is likely to give priority to restoring Germany's domestic monetary stabil-

that countries which thought

they were suffering from Ger-many's monetary policies could take the initiative by seeking realignment within the European

Monetary System. Pointing to occasional currency changes in the EMS - where the last full-scale realignment was in January 1987 - the official said: "We are not in a fixed exchange rate system yet."

Although he stopped short of calling outright for a realign-ment, he indicated that the Bundesbank believed market forces

EMS devaluation candidates by name. But he said the Bank of Italy had been intervening with "considerable" amounts to defend the lira last week.

The official warned that if other countries were worried about rising German inflation, the only way this could be combated would be through tight

German interest rates. Bundesbank officials appear

might eventually force weaker undecided about what the councurrencies towards a devaluation.

The official did not mention ing. Despite the half-point rise in official interest rates in December which lifted the Lombard rate to 9.75 per cent and the discount rate to 8 per cent, domestic monetary conditions have become more uncertain and less

responsive to Bundeshank action A further rise in the Lombard rate is unlikely because of the problems this would cause for other members of the EMS, who want to reduce rates. But the less

increased or banks' access to cen-tral bank funds limited.

The Bundesbank has almost given up hope that this year's money supply target will be met. but hopes to create the condi-tions for slower growth in M2, the broad monetary aggregate, next year. M3 has risen at an annualised 9 per cent against a target range of between 3.5 and

A year at hard labour, Page 2

### Amato's government to sell off an initial 45% of assets

### Rome moves to quicken privatisation

By Robert Graham in Rome

ITALY'S overblown public sector holdings are to be radically reor-ganised to accelerate privatisa-

IRI, the main public sector holding, ENI, the state oil con-cern, ENEL, the national electricity company, and INA, the national insurance institution, will today become joint stock companies under the tutelage of

the Treasury. Their total assets have been put provisionally at L60,000bn (\$52.63bn) and the new Italian government of Prof Giuliano Amato intends to sell off an initial 45 per cent to the public.

This promises to be the most far reaching change in the nature

of state ownership since Mussolini first created IRI in 1933 to act as the motor of public sector driven development, iki com nies alone account for over 4.5 per cent of GDP and they cover a range of activities from agriculture, banking, construction. defence, information technology. the media and shipbuilding.

The announcement at the weekend came in the wake of Friday's emergency budget for the remainder of 1992 which is aimed at finding an extra L30,000bn through spending cuts and increased revenues. The move should add greater credibility to the budgetary measures which were criticised for failing to make more significant spending cuts.

"We are on the edge of a precipice," said Mr Amato comment-ing on the measures in the bud-

His sense of urgency was. underlined by the speed his government intends to tackle privati-

sation. The four state entities will have only 10 days to approve their new statutes.

The previous Andreotti administration spent more than a year arguing over how and what to privatise, while optimistically writing in a total of L21,000bn from privatisation income for

privatisation has come from politicians who have encouraged state ownership as a means of continuing political patronage. The management of all state groups is politically appointed. Mr Ameto has also decided to wind up Efim, the industrial state holding whose debts of L8,000bn are nearly double its

Until now the main block on

annual turnover. Its situation has long been one of the most blatant examples of political patronage determining

dustriai strategy. Foreign creditors account for L3,500bn of the debt and talks with them could determine how many of its activities such as the heavy loss-making aluminium sector will be closed down, or merely transferred to IRL

By placing the four public entities under the tutelage of the treasury, the government intends to signal to the markets that it is seeking serious financial solutions to the complex issues raised by privatisation. The Treasury has the best technical team and has been working exhaustively on privatisation schemes over the

Continued on Page 10 Editorial comment, Page 8 (NAACP), one of the leading



### Perot gaffes as Clinton thrives

remained unresolved.

However, Mr Clinton's warm

reception at a meeting of the

National Association for the

Advancement of Colored People

GOVERNOR Bill Clinton arrived in New York at the weekend for the Democratic party convention, fresh from a demonstration of why, notwithstanding the reluctance of former presidential hopeful Mr Jesse Jackson, he seems likely to win an overwhelming majority of black and other

minority votes in November's presidential election. Mr Jackson, who has clashed repeatedly with Mr Clinton over the past few months, offered a grudging endorsement of the Clinton campaign on Saturday night, but on Sunday he went on to make clear that his differences with the Arkansas governor

It is expected to create two new holding companies at least tem-porarily: one will hold the shares

black and minority rights advo-cacy groups in the US, suggested gates, Mr Perot recounted how yesterday towards the Texan well his father had treated his independent than he has been that Mr Jackson, though clearly poor black employees and repeat towards Governor Clinton. "That still influential with African-American voters, does not speak

Mr Clinton and Senator Al Gore of Tennessee, his vice-presidential running mate, received a generally enthusiastic response from the NAACP audience in Nashville on Saturday, contrasting with a cool welcome for Mr Ross Perot, the Texas billionaire who appears all but certain to

run as an independent candidate.

In a speech to the NAACP dele-

edly referred to "your people" Some black leaders at the meeting called the comments condescending.

Mr Perot later apologised for his language, but several NAACP delegates said he had betrayed his lack of experience with minorities.

Mr Jackson, who has publicly flirted with the idea of backing Mr Perot, in spite of a clear rebuff from the Perot campaign. was in a more forgiving mood

Senator Gore also said Mr. Perot deserved the benefit of the

But Governor Ann Richards of Texas, who is chairing this week's Democratic convention.

Continued on Page 10 Clinton tops, Page 4 Shiver of apprehension, Page 14 Shift of mood, Back Page,

### Germany to sell off stake in Airbus four years early

By Quentin Peel in Bonn and Andrew Hill In Brussels

THE GERMAN government has agreed to sell its remaining 29 per cent stake in Deutsche Airbus, the German partner in the European Airbus consortium, to Daimler-Benz, four years ahead

of the agreed date. In exchange, Daimler-Benz has accepted the cancellation of its lucrative currency insurance deal with the government, which protected Deutsche Airbus from excessive currency fluctuations.

The agreement means that Daimler-Benz, the largest industrial group in Germany, will own 100 per cent of Deutsche Airbus through its Deutsche Aerospace subsidiary. The company is planning a further reorganisation of all its aerospace interests by October and Deutsche Airbus will be fully incorporated into financial results.

Cancellation of the currency insurance deal, which cost the German government DM580m (\$382m) in 1990, will remove the grounds for the US complaint of unfair subsidy to the General mercial airliner projects.

Agreement on Tariffs and Trade, upheld by a Gatt disputes panel in January. A further DM640m had been allowed for in the state budgets up to 1996, when Daimler was originally expected to take 100 per cent control.

The currency deal meant that the German government covered potential exchange rate losses on Airbus sales, if the dollar fell below DM1.60, without charging any premium for the insurance. The US government alleged that the payments amounted to a subsidy of \$2.5m per Airbus delivered in 1990.

The agreement with Daimler was disclosed at the weekend by Mr Erich Riedl, the state secretary responsible for the aerospace industry in the Bonn Economics Ministry. He said it should be signed by the end of September, thus completing the privatisation of the German aerospace indus-

Meanwhile, the European Community is today expected to rat-ify the long-awaited EC-US deal to limit direct and indirect government support for new com-

Brussels, should rubber-stamp the agreement, which was reached on April 1 after some six years of on-off talks between the two sides. In spite of early rum-blings of discontent in Washington, Brussels officials now believe the accord is safe from political tampering.

The EC's ratification will come less than a week after United Airlines, the second largest US carrier, placed a \$5bn order with Airbus Industrie, the EC manufacturing consortium, for up to 100 A320 jets. There were fears the deal

might revive controversy over government subsidies to Airbus The EC manufacturer won the order with an attractive financing package in the face of fierce competition from United's traditional US supplier, Boeing.

Disputes between the US and ments, and that US manufacturers benefit from support disguised as military or space research grants.

#### EC have centred on accusations that Airbus receives direct development aid from EC govern-

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Matzen in Germany. If you're a true European, we would be happy to hear

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### IMF warns of delay in deal with Russia

Gaidar and Mr Michel Cam-

dessus, the IMF managing

director, was viewed in some quarters as a concession by the

Fund, given its original

demands for radical economic reform, IMF officials said they

had a "guarded optimism" about the Russian govern-

ment's commitment to reform.

sians and their friends we

believe that there are enough assurances to go ahead," a senior official said.

Fund officials warned, how-

ever, that the international

community had not yet begun

to address Russia's financing

needs for 1993. They expect a

financing gap next year of

roughly the same size as this

year's, which prompted a com-bined \$24bn western aid pack-

at the end of last week with

Yegor Gaidar, the acting Rus-

sian prime minister, however,

said he had not been consulted

The Latvian rouble, unlike

the Estonian kroon, is backed

only by the government's

authority. Dubbed "white

money" by the Latvians, it will

be convertible into Russian

roubles at par, though not offi-

Mr Einars Repse, central bank president, said Estonia's

introduction of the kroon had

caused an overwhelming influx

into Latvia of Russian roubles.

which had been squeezed to

cially into hard currency.

about the move.

the Russian central bank, Mr

"In view of the strength of

By George Graham In Washington

RUSSIA may not be able to complete its full standby agreement with the International Monetary Fund before late autumn. a senior IMF official

After negotiating a prelimi-nary agreement with the Fund which will allow the release of a first \$1bn (£523.5m) credit tranche. Mr Yegor Gaidar, the Russian prime minister, had ement in October.

But IMF officials have said they will need some time to complete negotiations on the standby after arrangements for a rouble zone, including several of the former Soviet republics as well as Russia, have been put in place.

We have no experience in the IMF of a standby negotiated in one day or two," a senior official said.

However, the officials added that it should be possible to complete the standby and move on to the third phase of Russia's IMF programme with the installation of a \$6bn rouble stabilisation fund early

next year. Fund officials are encour-

By Phillipe LeGrain in Tailinn

LATVIA has announced that

its own rouble, which has cir-

culated in parallel with the

Russian currency since the start of May, will become the

only legal tender from July 20.

the second country to leave the

rouble zone, after Estonia.

which introduced its own cur-

rency, the kroon, on June 20.

The Latvian rouble will only

be temporary, as Latvia still intends to introduce its own

currency, the lat, this autumn.

Ukraine and Lithuania are also

expected to introduce their

as an agreement was reached

of GE Aircraft Engines.

London, 16 September

McMeehan of Framlington Group.

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The Baltic state will thus be

Second Baltic state

to leave rouble zone

own currencies within the next This had revived inflation.

The Bank of Latvia does not under 250 per cent by a short-

ing of payments with Russia, freezing of Latvian bank

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of Airbus Industrie: Mr Thomas M Culligan of McDonnell Douglas Corporation and Mr Brian H Rowe

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MANAGING FINANCIAL RISKS

London, 12 & 13 October

the Baltic republic of Estonia for a "civilised exit" from the rouble zone, and say they now want to create the conditions for "civilised coexistence" between Russia and those republics, such as Belarus and Kazakhstan, which are considering remaining within the While the deal for a prelimi nary \$1bn programme negotiated a week ago between Mr

Bundesbank president Helmut Schlesinger (right) with finance minister Theo Waigel at last year's International Monetary Fund meeting in Banekok

### Schlesinger faces a year at hard labour

Bundesbank chief's extra term will be tough, write David Marsh and Andrew Fisher

F HISTORY had not dictated otherwise, Mr Helmut Schlesinger would now be within a few weeks of graceful retirement after four decades of honourable achievement at the German

In fact, Mr Schlesinger, unexpectedly made the bank's president last summer after the resignation of Mr Karl Otto Pöhl, will be staying on for another 12 months beyond the normal retirement age of 68, which he reaches in September. It is likely to be a year not of grace, but of the central banker's equivalent of a night out on the wrong side of

Mount Eiger. Mr Schlesinger faces the toughest decision of his long career when he and the rest of the Bundesbank's policymaking council decide on Thursday what to do about this year's runaway money supply growth.

Some form of credit tightening is expected as a signal that the Bundesbank is taking seriously the 9 per cent increase in the M3 money supply for 1992 - double the central bank's 3.5-5.5 per cent target.

Under the unprecedented strains provoked by German unification – the real reason for Mr Pöhl's exit – Germany's financial machinery is running havwire. The worries are compounded by the Bundesbank's analysis that there is "no recognisable weakening" of inflation, which is running at 4.3 per cent, against the central bank's longer-term

Thursday's decision will have an important influence on the prospect of a realignment of exchange rates within the European Monetary System - an option thought increasingly plausible within the Bundesbank.

Tightening action would not simply send disruptive ripples around Europe, where nearly every other country - led by Britain and France - wants to cut interest rates to bolster sluggish domestic economies. The outcome of the council's deliberations will also spill over to the US and Japan, where the central banks have been cutting interest rates to try to speed up emergence from

Fire threat

to N-arms

doubted

in Stockholm and Leyla Boutton in Moscow

FEARS that forest fires in

Latvia might threaten Russian

nuclear bases were being

played down yesterday by

Swedish experts who have been assessing the situation. The fires, following two

months of hot, dry weather,

affect three main areas, one of

them Garkaune, where ammu-

nition dumps of the former

Latvia's defence minister, Mr Talav Junzis, had said it was

conceivable that nuclear war-

heads could be under threat

from the blazes. But the Swed-

ish experts questioned whether

there were any nuclear weap-

ons in the former Soviet repub-

lic. Mr Tor Larsson, an expert

on nuclear weapons, said that

even if some nuclear weapons

were stockpiled there he

doubted whether the fires

He pointed out that nuclear

weapons are stored under the

ground and would never

become hot enough through

the concrete and earth to

explode. "It would need a tem-

perature of over 1,000 degrees", he said.

The Russian government's

official position is that all tacti-

cal nuclear weapons have been

withdrawn from the Baltics

and other outlying republics, leaving only Belarus, Ukraine

and Kazakhstan in possession

of strategic nuclear weapons.

In Latvia, the prime minis-

ter's secretary said the country

expected imminent help from Finland and Sweden to help

put out the fires.

would threaten them.

By Robert Taylor

Mr Kurt Biedenkopf, prime minister of the treaty only if the government Saxony, yestarday warned Europe to redirect spending priorities because of the need to overcome eastern Europe's economic difficulties.

Mr Biedenkopf, a powerful spokes-man for the German states' attempts to wield influence over the Maastricht treaty, also voiced misgivings about whether European monetary union (Emu) would come into effect at the time foreseen by the Maastricht treaty. During a visit to London, Mr Biedenkopf said the German states would rat-

Mr Schlesinger himself does not know exactly what the central bank will do. goals (1977-78 and 1986-87) inflation was The outcome of Thursday morning's meeting will depend on several hours of well under control and the current tense debate within the 18-man council account (unlike in post-unity Germany) and, at the end, a show of hands. The in healthy surplus. Bundesbank's statutorily independent policy-making body, which sets interest rates not just for Germany, but, effectively, for the rest of Europe, is accountable to no one but itself. But, in

the basis of "one man, one vote". The psychology of the council, mixing men of very different character, ability and political leanings, is highly complex. Several leading denizens on the council have a strong streak of rebelliousness - and some have no particupresident is uncomfortably aware that. if he makes any public statement prejudging the outcome of the council. meeting, he may end up producing a result opposite to the one he intends. For fear of adding to speculation, the Bundesbank does not even want to

its internal deliberations, the council is

very democratic. It takes decisions on

announce yet whether a press conference will be held after the meeting. Whatever course of action the Bundesbank takes, Mr Schlestinger knows he will be criticised. For several reasons, the bank is at a watershed.

· For the first time since it brought in monetary targets 18 years ago, it faces a drastic overshooting of its objectives for overdo (income) equalisation in Europe you're going to kill Europe. It won't work," he said. previous periods when the Bundasbank has significantly exceeded its monetary

fulfilled certain conditions on transfers

of powers to the EC. Among these con-

ditions, the states were looking closely

at resource transfers to poorer EC countries as well as at the "automatic"

Lower-income countries like Spain

would have to accept a longer period in

which to catch up economically with

more prosperous EC states. "If you

timetable for Emn.

• The overshooting marks the first time that serious doubts have arisen about the significance of the Bundesbank's monetary aggregates. Unification - above all the huge public subsidies flowing from west to east Germany - have blunted the cutting edge of monetary policy. M3 has been artificially inflated by high short-term interest rates attracting savings from longer-term investments, as well as by the build-up of D-Mark assets in eastern Europe. But the threat to the Bundesbank's credibility is all the greater: monetary targets introduced in 1974, has for years been the main protagonist of the bank's anti-inflation policy.

 During its years of anti-inflation bat-ting, the Bundesbank has never faceit such a difficult international environment. In the Bundesbank's two previous main bouts of credit tightening (1972-73 and 1979-81) the central bank was often unpopular, above all, at home, but was acting within a broad international consensus. This time round, however, because of the extraordinary post-unification position of the German economy, the Bundesbank is

August and December - provoked progressively greater impatience from Ger-

many's foreign partners.

• Most delicate of all is the effect that Bundesbank tightening could have on the Maastricht treaty on economic and monetary union (Emu). The decision in December, just a week after the Maastricht summit, to raise discount and Lombard rates to their highest since the 1930s was already widely conceived as a sign of the central bank's hostility to the treaty. Outside Germany, action on Thursday would be construed simi-

in a deliberate change of role from his previous hawkishness, Mr Schlesinger has been doing his best, both in public speeches and private conversations with central bankers, to show emollience over Emu. On the international central bankers' circuit, he rates as a much more patient figure than Mr Pöhl. However, there is no doubt of his fundamental hostility to a premeture abandonment of the D-Mark. Following the Danish "no" to Maastricht in June, Bundesbank officials have been talking

more openly of the possibility that Emu may not come into affect. Mr Schlesinger is no stranger to criticism of the bank's monetary policies. He regards some of it simply as proof that he is doing his duty. The barbs which wound him most, however, are those from domestic German monetarists suggesting that the Bundesbank the past few years in tightening money to combat growing signs of inflation.

As he seeks a path through the competing pressures, Mr Schlesinger will instinctively head towards the road which will provide the best chances for low German inflation. All other considerations - from the future of Masstricht to the re-election of President George Bush - will loom less large.

His inner convictions, however, are unlikely to guarantee Mr Schlesinger undisturbed sleep during the next few nights. And, with still a year of his presidency left, he may find after drastic overshooting of its objectives for out on a limb. Each of its interest rate Thursday that the steepest part of his both inflation and the money supply. In increases last year - in January, uphill march is only just beginning.

### failed to bloom for Stasi dirt diggers

By Quentin Peel in Bonn

IT had to happen: somebody somewhere has found Mr Hans-Dietrich Genscher, Germany's erstwhile all-but-immortal foreign minister, in the files of East Germany's former Ministry of State Security, the feared Stasi.

However, there is a nice twist to this particular story of the perfidy of the East German secret police.

According to Der Spiegel. Germany's fearlessly investigative and occasionally muckraking weekly magazine, former Stasi officers have passed to the (west) German secret service the devastating information that Mr Genscher was known in the Stasi files as "Tulip":

Or rather... that was the code-name for a purported "collaborator" of the all-powerful East German spy network, deliberately made to look like the long-time leader of the Free Democrats in West Germany.

The magazine does not suggest for a moment that Mr Genscher, whose name has been frequently mentioned as a possible successor to Mr Richard von Weizsäcker as the next state president, was actually a collaborator.

The whole purpose, according to Der Spiegel, was to prepare the ground for a potential campaign to discredit Mr Gen-scher when the time was ripe. The file was fleshed out with details from the genuine career of an East German citizen, which were then simply applied to Mr Genscher.

The former foreign minister. who retired without real explanation in April after 18 years in office, was always seen as a potential and indeed ideal target for the East German security services.

He comes from the east, having been born in Halle, which he left for the west in 1952. Thereafter he always remained a frequent visitor to friends and relations there. The "Tulip" file was finally

destroyed by the East Germans at the beginning of the 1980s, it says. The reason was that Mr Genscher, a lifelong proponent of detente, "was not pursuing goals of the GDR".

12.7

Mala

× -/

Pane

A State



Genscher: target of planned Stasi campaign

bon, other leaders made clear to Mr John Major, UK prime minister, that foreign ministers would take the lead in the hudget discussions. Britain expects the period from July to the end of Sep-

tember will be spent analysing "Delors II". The presidency has submitted an 85-point questionnaire on the plan to senior national officials in Brussels to help the discussion. According to British officlais, the debate will become more political at meetings of foreign and finance ministers in October and November, in the hope of reaching an agreement at December's Edinburgh

### French promised corruption curbs

Britain targets EC spending

will also be the first time the "Delors It" package of budget proposals has been discussed at this level since EC leaders'

inconclusive debate at last month's Lisbon summit.

ing rates of value added tax

and excise duty - on which

finance ministers nearly

reached agreement two weeks

ago - has been postponed

until September, because some ministers cannot attend today.

In his letter, the chancellor

has also asked ministers to

effectiveness of existing EC

spending justifies a substan-tial increase in future expendi-

consider whether the cost-

Further discussion of bind-

By lan Davidson in Paris

By Andrew Hill in Brussels

BRITAIN has invited its

Community partners to go back to basics in assessing the

European Commission's pro-

Mr Norman Lamont, UK chancellor of the Exchequer,

has sent his EC counterparts a

the Commission's package

from a strict financial perspec-tive; to compare the one-third revenue increase requested by Brussels with individual mem-

her states' growth forecasts. In Brussels today Mr Lam-

ont will chair the first meeting

of finance ministers under the

British presidency of the EC. It

letter asking them to consid

posed five-year budget plan.

NEW LEGISLATION to prevent political corruption will be put forward in the autumn, Mr Pierre Bérégovoy, the French prime minister, announced at the weekend at the Socialist party congress in Bordeaux.

His move followed a newspa-per report last Thursday that Mr Henri Emmanuelli, the Socialist president of the national assembly, was to be charged with political corruption, allegedly in connection with the long-running investigation into previous illicit financing methods of the Socialist

The report, carried in Le Monde, has not been confirmed by any official source. But the story has acquired a political life of its own, and has caused alarm across the French political spectrum.

Many politicians, from right as well as from left, have deplored a story which, if true, must be a damaging leak in the confidentiality of the judicial investigation system conducted by the juges d'instruction. Mr Jean Auroux, leader of the Socialist group in the national assembly, has called

But there is also concern among some politicians, and not just Socialists, that the newspaper, report may be an indication of something resembling a politically motivated campaign by part of the French magistracy against the Socialist party.

for urgent reform of the sys-

Some Socialists have not hesitated to denounce the timing of the leak as a deliberate attempt to destabilise the party just before its congress and the long summer holidays.

has commented; "The judges must not engage in a vendetta with the politicians." And Mr André Lajoinie, the Communist leader, has denounced the "unhealthy climate" created by "the threat of charges against The Le Monde story was not

member of the Centrist party,

"As finance ministers they would no doubt expect a lot of attention to be paid to the

scope for offsetting savings

from existing programmes," said a senior British official

Budget debates in the first

half of the year have already

opened deep divisions between

rich member states - led by

Britain and Germany - and

poorer countries, over the

extent of "cohesion" funding

Britain, which will have to

search for a compromise dur-ing its presidency, wants to

intensify the role of finance

hudget proposals. But at Lis-

last week.

for the latter.

specific on the nature of the harge, and indicated that Mr Emmanuelli's interview would not take place until next

Mr Renaud van Ruymbeke, the investigating magistrate based in Rennes, has denied any political ulterior motive in the case. But he has also declined to confirm or deny the substance of the Le Monde report, and he has now gone on holiday for a month

The report did not make clear whether Mr Emmanuelli ong summer holidays.

Was supposed to be charged for could not be guilty illicit party financing or for sonal emilenment.

It is widely believed that the Socialist party was in the past involved in illicit money-raising schemes, and Mr Emmanuelli makes no attempt to deny it; since he was treasurer of the party from July 1988 to January 1992, he must be formally responsible. But he might be covered by the political amnesty designed to clear the decks for new, tighter party financing laws.

personal corruption.

A charge of personal enrich-ment would be much more serious, and could lead to imprisonment. To counter any such innuendo, Mr Emmanuelli has written to the Justice Ministry asking for a preliminary inquiry into his personal finances.

Many of his party colleagues have publicly declared their faith that Mr Emmanuelli could not be guilty of any perThe Francial Times (Europe) Lts
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# الملذا مدلاطل

S African

campaign

speeds up

protest

offices in Pretoria.

Police have given permis-

sion for the march, seen as an important test for both sides

in a tense political climate.

and in the run-up to the United Nations Security Coun-cil debate this Wednesday.

Labour leaders and their

allies will be looking for a

immost that would give cre-dence to the "mass action" campaign designed to force President F.W. de Klerk to

concede an early transfer of power to the country's black majority. The government will want to show that it can keep control of the streets while

The march is organised by the Congress of South African Trade Unions (Cosatu), the

country's most powerful

labour federation, and sup-

ported by the African National

Congress (ANC) and the South

African Communist party

Pik Botha, the South African

allowing dissent.

'Dove' to seek Mideast talks breakthrough

### Rabin names Peres as foreign minister

By Hugh Carnegy In Waster,

MR YITZHAK RABIN yesterday appointed Mr Shimon Peres, a former premier and long-time political "dove". as foreign minister in the new israeli Labour-led coalition, which seeks an early break-through in Middle East peace. talks. The new government, due to be officially endorsed ata session of the Knesset this afternoon, following Labour's June 23 general election-victory. Labour, with its commitment to territorial compro-mise, replaces the hardline Likud party, which has been in

government for 15 years. Years of often bitter personal rivalry did not prevent Mr Rabin from offering the post of foreign minister to the highly experienced Mr Peres, whom be ousted as Labour leader earlier this year. Mr Peres's approach to the peace talks is much less cautious than that of Mr Rabin. But the new prime minister, who will also be defence minister, is to keep direct control over pivotal negotiations with the Palestinians on an interim agreement on self-rule in the occupied West Bank and Gaza Strip. Mr Peres will have responsibility for the parallel multilateral

talks with Arab countries. Mr Rabin appointed as finance minister Mr Avraham



Peres: new appointments Shochat, a Labour stalwart and former chairman of the Knesrecent weeks stressed Labour's switch from traditional socialist economic policies to market reforms. Labour gave three lower-scale ministries to Meretz, the alliance of pro-peace parties that is its main coali-tion partner, and one to Shas, the ultra-orthodox religious party which is the third partner. Together with support from two Arab parties, the coalition is assured of a comfortable majority. But Mr Rabin is still hoping to bring in

Tsomet, a right-wing group. Mr Rabin's priorities are to mend relations with the US, to speed the peace talks, and stimulate economic growth to combat record unemployment, bloated by mass immigration from the former Soviet Union. He hopes to travel to the US by early August to see President Bush. Peace talks, which Mr Rabin wants to move into con-

timeus session, are likely to resume in Rome by September. Mr Rabin is anxious to secure \$10bn (£5.2bn) in US loan guarantees to aid immigrant absorption, withheld by Washington because Likud refused to freeze Jewish settlements. Mr William Harrop, US ambassador in Israel, said he hoped the new government's policies would make the release of some guarantees pos-sible. But the issue is by no means resolved. Mr Rabin has been careful not to promise a complete settlement freeze, though he favours a freeze on what he calls "political" settle-ments. Mrs Hanan Ashrawi, Palestinian spokeswoman, yesterday warned the US not to

Mr Nelson Mandela, the ANC president, is in New York, where he and other-political leaders, including Mr ease the terms it originally attached to the guarantees. Mr Rabin regards the guarentees as vital to revitalising the economy. Mr Harrop cautioned the new government not to regard them as a panacea.

foreign minister, will address the UN Security Council. saying it must push on with liberalising the economy. Mr Botha, in a speech over the weekend before flying to New York, said the government wished to discuss the ANC's grievances. But he went on: "I hope they will also realise that without power sharing there will be no peace."

### Sheikh 'wanted BCCI control'

Mark Nicholson and Richard Donkin on how the bank was helped



whose family controls the National Commercial Bank SOUTH AFRICA'S "mass (NCB) of Saudi action" campaign gathers momentum today when trades union leaders are due to hold a of the Bank of Credit and Commerce International during the mid-1980s, according to court protest march on government

> the Federal Reserve Board. The documents, filed in a series of actions that have led to the freezing of the sheikh's US assets and a \$170m (689m) fine, show the extent to which, according to the Fed. Shelkh Khalid helped to prop up the alling BCCI when it was facing a liquidity crisis. They also show how the sheikh's apparent co-operation enabled BCCI

to dilute some of its worst

documents filed in the US by

debts using depositors' money, thereby appeasing its auditors. Negotiations on the takeover plan were held with Mr Agha Hasan Abedi, BCCI's founder, in the spring of 1986, according to the documents. When the talks reached an impasse, Sheikh Khalid was persuaded to settle for the acquisition of 30 per cent interests in both BCCI and in CCAH, the holding company of First American Bankshares. This would give him holdings in BCCI roughly equal to those of the ruling

Sheikh Khalid struck a deal that would give him the shareholdings for something over \$1bn. According to the docu-ments, "Mahfouz regarded his purchase of both CCAH and BCCI shares as a single transaction." The holdings were acquired through a series of deals and arrangements designed to help BCCI over-come its financial problems.

family of Abu Dhabi, the larg-

est shareholder.

S.H.B.I.K.H. The deals were arranged disbursements: \$300m for BCCI Khalid Bin because the bank was not ready to issue new shares or capital notes and Sheikh Khalid was unwilling to inject new capital without them.

In the first of these arrangements, he agreed to borrow \$270m from BCCI's Bahrain branch, secured only by the asyet-unissued shares and notes. Against the loan he deposited the same amount in BCCi. thereby helping to improve the bank's liquidity. Mr Haroon Rashid Kahlon, one of his assistants, working with a firm of lawyers, drew up the pro-curement deed for the shares, to be held by five Bermuda

consideration for Pharaon-held shares in BCCI); and \$135m for the CCAH shares. The following September NCB paid \$256m for a further tranche of CCAH shares, giving him a 28.7 stake in the holding company. The same month NCB transferred \$160m to BCCI to buy 4m shares in BCCI Holdings. The CCAH transaction later appeared on

Holdings capital notes; \$183m to repay the loan from BCCI

Bahrain: \$135m to the account

of Wabel Pharaon at BCCL the

brother of Ghaith Pharaon, a

Saudi businessman (paid as

While the NCB itself may have been a loser as a result of the deals, the Fed contends Sheikh Khalid made a personal financial gain from the episode of \$120m.

Khalid. In the deed the shareholdings were to be sold over three years.

The first tranche of CCAH shares acquired by Sheikh Khalid was bought for \$135m in July 1986 from Sheikh Hamad bin Mohammed al-Sharqi, the ruler of Fujeirah, one of the United Arab Emirates. The ruler had given Mr Abedi and Mr Swaleh Naqvi, BCCT's chief executive officer, power of attorney over his CCAH shares held in a com-pany called Mashriq.

Sheikh Khalid had transferred a further deposit of \$485m to his own account at BCCI, adding to the earlier \$270m. Both payments were recorded on the books of NCB as an NCB deposit at BCCI in London. When the procurement deed was executed, Mr which he had negotiated a buy-Khalon directed four separate back agreement. The BCCI

companies all owned by Sheikh to Mashriq and one to Faisal Saud Al-Fulaii, a Kuwaiti busi-nessman. The Fed contends these were sham loans used to shield Sheikh Khalid's CCAH holding from US regulators.

NCB's books as two loans, one

By April 1987 Sheikh Khalid was told by NCB's external auditors that the bank could no longer account for the \$755m purchase of BCCl and CCAH securities merely as a deposit with BCCI and must show it as a share purchase. In response Sheikh Khalid directed that the amount should be re-characterised, partly as a loan to his wife and children and partly as an investment by NCB in BCCI capital notes.

Later the same month Shelkh Khalid told Mr Abedi he wanted to divest his holdings in BCCI and CCAH, for

shares were all sold to ICIC Overseas, the Cayman-based BCCI affiliate. The Fed says that while he insisted in disposing of his holding, he agreed to keep his decision a secret and to remain as a director of BCCI until July 1989.

By the time the Bank of England moved to close down BCCI in July 1991, Sheikh Khalid was no longer a BCCI shareholder but NCB was still holding \$330m of virtually worthless capital notes from BCCI. While the NCB itself may have been a loser as a result of the deals, the Fed contends Sheikh Khalid made personal financial gain from the whole episode of \$120m. The documents also outline other occasions where Sheikh Khalid used NCB funds to get BCCI out of trouble when BCCI faced concerns from auditors.

Sheikh Khalid, who resigned last week as chief operating officer of NCB to fight the charges, has called them "unwarranted and ill-advised" In a statement last week he said that "at all times I acted on advice and with the assistance of respected legal counsel to ensure that I complied with US laws and regulations in regard to my investments in BCCI and First American".

The sheikh said he had voluntarily met all officials he was asked to, had been "forthright" in answering their ques tions and supplied them with "thousands of pages" of docu-ments. "The ill-founded allegations made against me are based on forged documents and the actions of others. Further, they are based on unreliable and possibly even compromised, witnesses." The bank itself also called the charges "devoid of any substance" and denied NCB at any time owned or bought any shares in CCAH.

### NEWS IN BRIEF Algerian Moslem leaders sent for trial

THE two paramount leaders of Algeria's major Moslem fundamentalist party, the Islamic Salvation Front (FIS), were committed to trial yesterday at the military court in Blida, south of Algiers, writes Francis Ghilès. Mr Abassi Madani, 61, and Mr Ali Benhadj. 85, face the death

penalty if convicted on charges alleging conspiracy against the They, five other FIS officials and their lawyers, walked out of the court after failing to obtain permission for the trial to be transferred to a civil court. Foreign journalists were banned, as they were two weeks ago when the frial was initially due to start. Mr Madani and Mr Benhadi, who was renowned for his fire-andbrimstone speeches, were arrested in June 1991 after FIS-led riots

Jordan-Germany loan agreements Germany and Jordan signed two agreements yesterday under which debt-burdened Amman will get DM37m (£12.7m) in com-modity learn to support the country's trade balance, Reuter

protesting against alleged constituency gerrymandering stalled

reports from Amman.

An embassy spokesman said under the first accord, Amman would get DM32m to cover imports of vital commodities needed for civilian use, excluding luxury or military goods. Under the second agreement, Jordan will get DM5m to finance imports needed by Jordan's agricultural sector.

Jordan is among the recipients of the largest per capita amount of German aid. Amman has received a total of DM1.63bn, most of the influencial set of the second concentration pro-

it in financial aid, since a bilateral economic co-operation pro

#### Malawi democracy call

Freed opposition leader Chakufwa Chihana said yesterday he would continue campaigning for democracy in Malawi even, if it meant a death sentence for sedition, AP reports from Lusaka.

Mr Chihana, 52, head of the opposition Democratic Alliance, was released on ball after being held for three months without

charge. He was arrested when he returned home from a conference in Zambia at which he called for a pro-democracy congress

### Patten urges progress on airport Mr Chris Patten, Hong Kong's new governor, yesterday called for an end to the disagreements over the colony's new airport and underlined the need to move ahead with the project "as soon as

underimed the need to move ahead with the project as soon as possible, agencies report.

"It is not in the interests of the UK government in particular to build the airport, though we want to do what is best for Hong Kong," he said. "It is above all in the interests of the future of Hong Kong and in the interests of the whole of China, particularly southern China." During an interview with the BBC, Mr Pattern also pledged to study ways to "broaden and deepen" in the colory.

### Two lead race to be president of India

By Shiraz Skihva in New Delhi

THE Indian parliament today elects the nation's ninth president to succeed Mr Rama-swami Venkataraman, whose five-year term ends on July 24. Over 4,500 parliamentary rep-

resentatives will vote.

The contest is largely a two-man race between Mr Shankar Dayal Sharma, India's win and the ruling Congress
(I) party nominee, and Mr George Gilbert Swell, the opposition-sponsored candidate. Mr Ram Jethmalani withdrew on Saturday. The only other candidate is Mr

Joginder Singh, sponsored by a group of legislators. The contest is the culmination of a new phase of Indian politics. The presidential debate has broken the opposi-tion ranks, and radically altered the agenda of the main opposition parties.

The Communist party of India (Marxist) did not bow to pressure from its allies, the National Front, and has decided to support the ruling party candidate. This has left the right-wing Hindu Bharat-iya Janata party in uncomfortable alliance with the National Front, to support the opposi-tion candidate.

This regrouping is seen as an indication the opposition is

reactivating itself to pressure the ruling party. It could undermine the influence of Prime Minister Narasimha

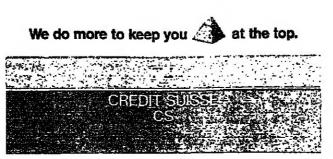




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### World steel output and use 'tofall for third year running'

democracy in the colony.

WORLD production and consumption of steel will fall in 1992 for the third year running, but the decline will be checked by a second-half recovery in some economies, according to the Organisation for Economic Co-operation and

The OECD's forecast for 1992 is further evidence of the worldwide recession in the steel industry, which many worst and most protracted on

Prices in the European Community have been falling in recent weeks after increases earlier in the year, and most analysts do not expect any substantial recovery in steel

demand until next year. The OECD forecast offers some solace to bard-pressed producers. World steel demand is forecast to fall 1.5 per cent 12.9 per cent drop in 1991. this year to 606.8m tonnes,

WORLD STEEL INDUSTRY (millions of tormes) 1992" World OECD countries trade balance OECD capacity utilisation rate (%) -123 -.18.2-17.4 Source: OEOD. 'OECO forecast

producers are saying is the after a steeper 4.6 per cent decline in 1991.

The main problem is in Japan, the world's biggest consumer of steel, where the OECD expects demand to fall 10.6 per cent to 83.2m tonnes, from a record 93.1m tonnes in

1991. Another big decline is expected in the former Soviet Union, where consumption will fall 8.7 per cent to 89.7m tonnes after a US demand is expected to

rise 4.7. per cent this year to 78.5m tonnes, a significant turnround from the 12.6 per cent fall recorded-in 1991, and sign of a slow recovery in US

manufacturing industry.

World steel production is expected to decline more slowly this year, falling 1.2 per cent to 723.2m tonnes, after a 5 per cent fall in 1991.

Once again, the biggest fall will be in Japan, where produc-tion is expected to drop by 8.2

#### **NEWS:** INTERNATIONAL

### Clinton THE GHOSTS OF DEMOCRATIC CONVENTIONS PAST tops in the team spirit stakes

By George Graham in Washington

THE Democratic party convention has not needed more than a single ballot to choose its presidential nominee since 1956, and this year's convention in New York will be no exception.

But Governor Bill Clinton of Arkansas, the winning candi-date, appears to have done a better job than his predeces-sors of quelling any dissonant voices that could have upset a show of Democratic unity behind his candidacy.

Mr Clinton, with the backing of 2,565 of the 4,288 convention delegates, has had to make remarkably few concessions to his opponents, either on the content of the party platform or on the roster of speakers for the four-day gala at Madison Square Garden.

THIS week's

year get-to-

convention in New York is the fourth time the party has come to the Big Apple for its election year get-to-

gether, and delegates are hop-ing it will prove a repeat of

1976, when another little-

known governor of a poor

southern state arrived to

accept the party's presidential nomination.

On that occasion, Mr Jimmy

Carter went on to win the

White House from a sitting

Ropublican president, a feat

fellow-southerner Governor

Bill Clinton would love to emu-

Mr David Dinkins, New

York's mayor, also hopes for a

reprise of 1976. At the time, the

city was recovering from a

severe fiscal crisis, and the

convention proved a big psy-chological lift for New York

and a minor boon for its econ-

This year the city is also

struggling to overcome a finan- near correct, New York should



1968 Chicago With battle raging in Vietnam Vice-President Humphrey won Eugene McCarthy and George McGovern. He lost the general election to Richard Nixon.

than any convention I've been to in recent years... This is going to be Bill Clinton's convention," says one Democratic party activist now working for

nor's critics within the party have been strong-armed into a display of team spirit - such as Governor Mario Cuomo of New York, who has agreed, at the urgent behest of Mr Ron Brown, the party chairman, to make the formal nominat ion speech on Wednesday

Mr Paul Tsongas, Mr Clinton's strongest challenger dur-ing the primaries, has agreed to endorse his rival in exchange for a chance to speak to the convention on behalf of his pro-business economic poli-

tion will breathe fresh life into

He estimates that the press

coverage of the event will be

worth the equivalent of \$200m

(£106m) in advertising expendi-

Ron Brown, Reuter reports.

In addition, the mayor esti-

mates that \$190m will eventu-

ally be spent on preparations

for the event and \$110m by the

convention during the week

itself. On top of that, as much

as \$175m will come in from the

general increase in economic

activity around the convention

centre and the city, and

another \$27m is expected from

If the figures are anywhere

attend the Democratic National Convention on Wednesday as a guest of party chairman Mr

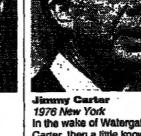
Political observers speculated that Mr Mand-

ela's appearance at the convention might be a

the ailing local economy.



George McGovern 1972 Miami Beach After drafting extensive changes in the Democratic party's selection rules, McGovern won the nomination but lost in a Nixon landslide.



1976 New York In the wake of Watergate, Carter, then a little known Southern governor, won the nomination and went on to beat President Gerald Ford.

eclipsed by the oratory that





Jimmy Carter 1980 New York After a tough primary campaign, President Carter won the nomination but had to give way to his challenger, Senator Edward Kennedy, on much of the party's election platform. Carter lost to Ronald Reagan

between the American people

and their government", the

platform includes many tradi-

tional liberal Democratic

themes, such as urban invest-

ment, abortion rights, affirma-

tive action in favour of minori-

ties, public support for the

arts, and a limited amount of

away from government inter-

ventionism in its rhetoric on

economic policy – although not as far as Mr Tsongas would

"An expanding, entrepre-neurial economy of high-skill,

high-wage jobs is the most

important family policy, urban

policy, labour policy, minority

policy and foreign policy America can have," the platform

"We reject both the do-noth-

However it also marks a shift

gun control

have liked.



1984 San Francisco Former vice-president Mondale won the nomination from Jesse Jackson and Senator Gary Hart and picked Geraldine Ferraro as his running mate. The Democratic team was again no match for Reagan.

theory that says we can hamstring business and tax and spend our way to prosper-

Perhaps as important, it contains a significantly tougher anti-crime plank than recent-Democratic platforms, remedying a weakness that the Republicans have gleefully exploited for decades. Democratic leaders hope the

party platform and the selection of Senator Albert Gore of ee - a southerner very similar to Mr Clinton in age, views and style - will help to signal to voters that the Democrats are now a moderate party representing middle-class Americans, not left-wing interest groups.

nents acknowledge that this is likely to be a more winning electoral recipe than the left wing coalition of recent

Even some of Mr Clinton's



Michael Dukakis 1988 Atlanta The convention gave Governor Dukakis a big lead over Vice-President George Bush in opinion polls, but by November it had evaporated.

Mr Clinton's campaign already broken out of the doldrums that becalmed it this spring, when every step and every statement seemed to strengthen his image as another slithery politician.

Yet he has not succeeded in putting these doubts about his character wholly behind him, and is still no better in opinion polls than level pegging with President George Bush and Mr Ross Perof, the Texas billion

A united convention and ar inspired acceptance speech could lift Mr Clinton by 10 percentage points in the opinion polls, according to one of his campaign advisers. While this lead would clearly dwindle in August, they say, it does not have to disappear entirely - as Mr Dukakis's even larger edge did in 1988.



CUBA's National Assembly

has approved changes to the 1976 constitution that would facilitate foreign investment. grant a mandate of direct secret elections for deputies, and permit freedom of religion for the first time since The changes, first proposed

by October's party congress, will not permit opposition parties, nor allow private owner-ship of the "fundamental means of production". The government will continue to control prices, wages, and ration basic goods.

The law will allow private.

in effect foreign. investment in selected state enterprises, let individual Cuban companies export and import without seeking central government permission, and recognise foreign ownership of property in joint venture deals.

The changes will give what is now common practice greater legal validity. In the past few years Cuba has sought to attract foreign investment to soften the blow of the collapse of trade with the former Soviet Union and eastern Europe.

Foreign companies have invested heavily in tourism, and less so in oil, nickel, blotechnology and light industry. They have tended to form joint ventures with nominally independent Cuban companies, that are nevertheless heavily backed and controlled by the

Mr Juan Escalana, president of the National Assembly, told Granma, the official newspaper, that the investment reforms "will demonstrate the will of the state, the government to continue along the path already taken of encouraging investments, negotiations, trade openings, in short to boost our international eco-

nomic relations".

The direct elections of deputies is intended to make the parliament more responsive to local demands. In the past deputies were chosen by municipal and regional councils, which are dominated by loyal

party members. On Saturday, Cuba's President Fidel Castro expressed clause linking economic development and protection of the environment, saying these issues had almost become a new world ideology following last June's Earth Summit in Rio de Janeiro, Reuter adds

Mr Castro said Cuba would be the first country in the world to include the linked themes of the environment and development in its national constitution.

from Havana.

the speaking list altogether, This will be more unified notably former Governor Jerry

to raise a challenge with a pro-cedural vote on the convention rules, but Clinton supporters the Clinton campaign. Some of the Arkansas gover-

> relegated to Tuesday night, when it seems likely to receive less attention than the simultaneously broadcast All Star

cial emergency, but Mr Din- be left with a handsome profit.

has gone before. The Democrats have lined up all their most talented speakers: from Brown of California, whose rebellious primary campaign won him 613 delegates. Mr Brown's supporters hope

Mr Jesse Jackson, who has endorsed Mr Clinton but has spent the last week sulking on television because no-one will treat him with the respect he feels he deserves, could pose more of a problem. His convention speech has, however, been

Perhaps the biggest challenge for Mr Clinton will be to speech on Thursday that is not

Delegates look back longingly to 1976

The cost of hosting the conven-

tion is \$21m, almost all of it

It is interesting to compare

how the Texas city of Houston

is financing the costs of host-

ing the Republican convention

Anti-apartheld leader Nelson Mandela will not putting pressure on South Africa's govern-

ture (although he makes a big next month. It has raised part security. One (probably Repub-

assumption that all the cover- of the \$10m estimated costs lican) businessman who owns

age will be positive about New from private sources. The rest, a gun-permit service in Queens

most un-Republican source - a

A large part of New York's

\$21m outlay will be spent on

security, and calming the fears

of the thousands of out-of-

towners attending the conven-

tion. No fewer than 2,400 police

officers will patrol Madison

Square Garden during the

week, and their overtime will

The area surrounding the

convention venue has been

alone cost more than \$6m.

(read my lips) tax increase.

paid for by the city.

pointed rebuke to President George Bush for Africa's democracy talks.

the acerbic wisecracks of Governor Ann Richards of Texas and the intense eloquence of former Representative Barbara Jordan, to the emotional uplift of Mr Cuomo. Mr Clinton's last convention speech, nominating Governor Michael Dukakis in 1988. has gone down in the Democratic

party annals as one of the dul-lest of all time, but he can be more exciting. The party platform, meanwhile, shows the marks of Mr Clinton's moderate supporters, many of them drawn from the Democratic Leadership Council, a mostly southern grouping that has set about drawing the party towards the centre.

ing government of the last 12 years and the big government Calling for "a New Covenant to repair the damaged bond

cleared of drug dealers, pimps

and prostitutes, and the

Department of Consumer

Affairs will be issuing warn-

ings to visitors about street

Private enterprise, mean-

while, should fill any gaps in

to delegates for \$10 a day while

handing out a friendly little

pamphlet called "Welcome to

Although New York officials

deny it, pressure groups have complained that large numbers

of homeless people have been

cleared from the streets around

the Garden in time for the con-

Even if the area was being

"tidied" up for delegates, the

vast army of homeless in New

con artists.

ment to help end their dispute over violence in black townships.

York and address the United Nations Security

Council on Wednesday on the deadlock in South

Fear City

vention.

Mr Mandela had been scheduled to visit New

Supporters are hoping Clinton can repeat Carter's success, writes Patrick Harverson York will not be totally Brown plans to eschew the comforts of a flashy midtown hotel and spend his nights in a city shelter for homeless; the Coalition for the Homeless will

hold a nightly candelight vigil;

and there will be an "Uncon-

vention Sleep-In" in Central Other alternative events include an Unconventionals Crash the Convention Concert organised by local anarchists. the Reverend Al Sharpton's Black Agenda March, a No Police State March, and an-Unconventional Smoke-In at Washington Square to cam-One wonders if Governor Bill Clinton, a self-confessed marijuana user (but not inhaler) will attend.

Finally, a note about media overkill. While there will be 4,928 Democrat delegates attending the convention this week, organisers have arranged accreditations for 15,000 journalists. That's three hacks for every one delegate. No excuse, then, for any missed stories.



Al Gore: delegates hope his similarity to Clinton in age, views and style will help to reinforce the party's moderate image

#### INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

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#### The near and the far in world trade W.Europe's markets Asia's markets . N. America's markets 1990 total:\$1,812.8bn 1990 total:\$874.66n 1990 total:\$525.3bn 13.9% Asla 6.0% N.America Regional & inter-regional trade 1973 total:\$575.3bn .1990 total:\$3,484,5bn 20.5% 12.2% 10.4% 21.6%

### How regional trading blocs can damage world trade

AT THEIR summit last week in Munich, the leaders of the Group of Seven leading industrial countries failed to give any impetus to the Uruguay Round of multilateral trade negotiations. Some, notably in the US, will shout even more loudly: "Global multilateralism is dead; long live regional trading arrangements."

Whether regional blocs are in the interests of those who create them can be questioned. Still more questionable, however, is whether regional trading arrangements are an alternative to global multilateralism. If anything, regionalism makes the case for the global multilateral system

What is certain is the growing importance of regional discrimination. The World Bank's latest study of global economic prospects shows that 41.4 per cent of world trade fell within existing regional trading arrangements in 1988 and another 4.9 per cent of world trade within potential new arrangements, such as those between the EC and eastern Europe, and the US and Mexico.(1) Even if trade within the European Community is excluded as now being like trade within one country, 24.8 per cent of world trade falls within existing arrangements and 6.3 per cent more in potential new arrangements.

Whether regional arrangements are in the economic interest of the participants depends on the extent of trade creation, as opposed to trade diversion. Trade creation occurs when high-cost domestic producers are replaced by lower-cost producers in the regional partner. Trade diversion occurs when lower-cost external suppliers are replaced by higher-cost suppliers in the regional partner.

Clear a priori rules cannot be derived for when a given arrangement will generate beneficial trade creation rather than harmful trade diversion. As the distinguished international economist, Jagdish Bhagwati, argues, geographical proximity is not a sufficient condition.(2)

Whether or not regional arrangements may benefit their participants, such arrangements cannot be an alternative to multilateralism. As the chart shows,

roughly half of world trade was among broadly defined regions in 1990, not within them. Despite the onward march of regionalism, the proportion of inter-regional trade has declined little since 1973.

The only region of the world for which intra-regional trade has looked like a realistic trade strategy is western Europe, where a number of medium to small countries send almost three-quarters of their exports to one another. For North America and Asia, however, markets outside the region account for some two-thirds of total exports. To sacrifice those markets to egional ones would be folly.

Not only is multilateral trade hugely important, but the drift to regionalism makes global rules still more essential As Professor Bhagwati notes, new forms of protectionism, such as anti-dumping and voluntary export restraints, as well as the protectionist use of local content requirements make trade diversion more likely. Global disciplines are needed, therefore, to make regional arrangements less damaging not merely to outsiders.

but even to their participants. Will regionalism undermine globalism?

A recent study of regionalism from the International Monetary Fund argues that "beyond a certain threshold an undue emphasis on regionalism would undercut the multilateral trading system and render it inoperative."(3) If the authors are right, regionalism makes globalism more essen tial, but simultaneously enfeebles it. This is no cause for celebration.

#### Martin Wolf

(1) Global Economic Prospects and the Developing Countries 1992 (Washington D.C.: World Bank, 1992) Table 2-13; (2) Jagdish Bhaquati, Regionalism and Multila-teralism: an Overview, Columbia University Discussion Paper No 683, Department of Economics, Columbia University, New York 10027; (3) Augusto de la Torre and Mar-garet R Kelly, Regional Trade Arrange-ments, Occasional Paper 93 (Washington DC: International Monetary Fund, March

### Albania pays dearly for a new economy

By Kerin Hope, recently in Tirana

THE sight of elderly women in white headscarves using sickles to harvest Albania's wheat crop says much about the country's continuing problems

of food production.

After three years of drought
and another of political and economic upheaval, the transi.

After three years of drought
adally loaf of bread.

Milk and meat are hard to tion from Stalinist self-sufficiency to a market economy is being slowed by acute short-ages of basic commodities, from flour and sugar to soap

and writing paper.

Last week's attempted excdus to Italy by thousands of state relief organisation make Albanians followed the daily truck deliveries of flour announcement of harsh economic reforms in accordance with an IMF adjustment programme due to take effect next month. These include abolition of wage subsidies and price controls on most goods, though a price ceiling will be imposed for bread, cooking oil and

sugar. Or Abdyl Sinani, a senior official in the industry and food ministry, says: "The government view is that it will be another three years before we

get back to our standard of liv-ing in 1989" - the last year

and 700,000 tonnes short of the

find because livestock breeders avoid selling young animals for slaughter to build up herds stock was shared out last year. Italian soldiers and a Greek

European Community emergency aid scheme. This week the EC is expec-ted to approve another Ecu35m as an immediate balance of

This amount is to be matched by the Group of 24 industrial states under a co-ordinated aid plan for former

### Moldovan ceasefire accord breaks down

MOLDOVAN authorities and near the capital Tiraspol Russian-speaking separatists yesterday accused each other of violating a new ceasefire agreement after overnight clashes in which at least one person died, Reuter reports . from Kishiney.

Further south in Georgia, Itar-Tass news agency said one person had been killed overnight in shelling of Tskhinvali, capital of the disputed territory of South Ossetia.

Mr Viktor Biryukov, press official for the Russian-speaking secessionists in Moldova's eastern Dnestr region, said Moldovan forces had attacked: sian observers, and officers the Duestr village of Kitskani from the ex-Soviet 14th Army.

before communism started to

This year, wheat production will amount to only 250,000 tonnes, half last year's output

from a few animals acquired when the co-operatives' liveand other essentials, provided under an Ecu45m (£31.8m)

payments grant for Albania to buy industrial spare parts and raw materials.

# NTIL October 26 1990, Dr Alush Gashi was Professor of Anatomy NTIL October 26 1990, how ethnic Albanians would be excluded from holding any positions of influence.

Judy Dempsey on the persecution of the majority ethnic Albanians in a colonisation programme

Serbian authorities step up pressure in Kosovo

at Pristina University, Kosovo. He has no idea when he will be free to lecture again.

"That morning, three armed
Serbian policemen came into

my office. They dragged me out in front of the patients. They were angry because, as an ethnic Albanian I had refused to leave my job," said 40-year-old Mr Gashi.

The former visiting professor at the University at California now spends his time documenting cases of human rights abuses in the southern prov-ince of Kosovo, which was foreibly reintegrated into Serbia in

Since March 1990, when

Serbia, under President Slobodan Milosevic, issued a decree called "The programme of the Republic of Serbia to colonise sional ethnic Albanians have been sacked. According to Belgrade's pol-

icy of colonising Kosovo, the decree stipulated how favoura-ble credits would be granted to those Serbs and Montenegrins ethnic Albanians have begun willing to settle in Kosovo, and to establish their own parallel

"Last: autumn, 25,000 teach-

ers, on all levels, were sacked 865 lecturers and professors were dismissed; over 2,000 doctors and medical staff now have no jobs. About 85,000 workers have been expelled from the factories," explains Mr Gashi

"Serbia wants to reverse the ethnic distribution in Kosovo," says Mr Ibrahim Rugova, elected president of Kosovo in elections banned by Belgrade two months ago. Ethnic Albanians make up 90

per cent of the province's 2m population. The remainder are Serbian, Montenegrin and ethnic Turkish communities. More recently, human rights organisations in Kosovo reported that Serb authorities

last month sacked 60 ethnic Albanian workers from a car parts factory in Istoq, western Kosovo, and 350 ethnic Albanians from an engineering plant in Giogovac, south-west of Pristina, capital of Kosovo in response to the sackings,

society and institutions. Since

February, ethnic Albanian chil-

dren have gathered in private

houses to be taught by teach-

SLOVENIA

● Zagreb

CROATIA

BOSNIA

ers sacked from the primary, secondary and university schools throughout Kosovo. "We are determined to educate our children. It is crucial to preserve a continuity in education and in our cultural traditions," says Mr Rugova.

parallel society, sacked doctors are setting up private, charitable clinics throughout the

BELGRADE

KCSCVO

MACEDONIA

Romania

AMICONLOY

Before the medical profession was ethnically cleansed, the main gynaecological centre in Pristina was delivering between 50 and 55 babies a month.

only five or six infants. warrant. Their houses are Because the ethnic Albanians searched. Intimidation prehave been sacked, the women do not trust the Serb doctors. They are now giving birth at home. We try to help as much as possible," says Mr Gashi.

The summary dismissal of so many ethnic Albanians has made life even harder in a province which last year was recording 40 per cent unemployment, the highest throughout the former Yugoslavia. Some ethnic Albanians cope

by returning to the land. Some seek help from ethnic Alba-nians working abroad in Germany or Switzerland. Others rely on a special "Solidarity Fund" set up by the Democratic League of Kosovo, which won an overwhelming majority in the recent unofficial elections. This fund is financed by the diaspora.

Mr Rugova says the parallel society will continue as long as Serbia continues to repress the ethnic Albanians.

"Ethnic Albanians are

etween 50 and 55 babies a picked up every day by the police. They are beaten, "Now the centre is delivering detained, and held without

vails." he explains. "It is clear Belgrade is not willing to compromise with the ethnic Albanians at the

moment," a US diplomat says. "Even if Milosevic, or any other Serb leader, decides to give back autonomy to the ethnic Albanians, it will be too late. The entire province is radicalised as a result of the

Despite the repression, Mr Rugova says ethnic Albanians will not be provoked into rising up against Serbian repression. "That is exactly what Bel-grade wants. It would end up being a massacre because w have no weapons. That is why we need a United Nations presence here before it is too late,'

Western diplomats said last week's decision at the Helsinki summit meeting of the 51-nation Conference on Security and Co-operation in Europe to send a mission to Kosovo may be the first, tentative ster towards recognising that the war in the former Yugoslavia must be prevented from

### Slovaks inch towards independence from Prague

By Anthony Robinson.

THE Slovak nationalists who National Council are expected to endorse a declaration of Slovak sovereignty when the new session opens in Bratislava tomorrow. For many Slov-aka, irked by a 1,000-year history of He said two Dnestr guards subservience to Hungarians or Czechs, the symbolic declaration will and four Moldovans were killed. But Mr Georgy Mununderline Slovakia's right to run its teanu, chief of the Moldovanown affairs.

defence ministry's press Despite its long political subservidepartment, said stories of ence, Slovakia's wealth of fine Gothic fighting in Kitskani were churches bears witness to a culture nothing more than a bare-faced lie". which many Slovaks feel has been underrated. Bratislava's Catholic Hundreds of people have been killed since March in the churches are packed for evening mess, unlike the the more sceptical former Soviet republic. The lat-Czech lands cities, where church est ceasefire was signed by attendance is low and protestant trasenior military officers from both sides last Tuesday. It will ditions live on. Differences are likely to widen if the federal relationship be policed by groups made up of Moldovan, Dnestr and Ruswith the Czeck lands is broken as expected later this year.
Under the communist regime Slo-

vakia was industrialised with huge

arms factories, steel works and engineering plants which either exported to the east or delivered components to THE Slovak nationalists who finishing plants in the Czech lands, dominate the newly elected Slovak. After the 1968 Soviet invasion of Czechoslovakia many Slovaks, such as the former president Gustav Husak, were promoted to top posi-

> Traces of that recent past remain. The taxi drivers with brand new Peugeot cars who hurk outside Bratislava's high-tech Hotel Danubia have the unmistakable air of former secret policemen. Frontier guards who check passports on internal flights still treat passengers like potential defectors. That is certainly the fear of the

> losers from the recent elections - the Christian Democrats led by Mr Jan Carnogursky; the Greens, whose vote was negligible despite the environmental degradation left by the communists; and the Civic Democratic Union, which, as Public against Violence, held the first street demonstrations against the communist regime. But the clearest sign of nervousness

Czechoslovak President Vaclav Havel said yesterday he would be willing to become president of an independent Czech republic if Czechoslovakia split

up, providing the conditions were right, Reuter reports. Mr Havel failed to be re-elected as Czechoslovakia's federal president recently after his candidacy was blocked by Slovak parliamentarians. He said he would only accept nomination for a post of active president.

Slovakia can be seen in the way the Hungarian minority voted on ethnic grounds for the three Hungarian parties who form a compact bloc, despite big political differences.

For nearly 1,000 years Slovaks were dominated by Hungary. Mr Gyorgy Halasz of the Hungarian Civic party fears that if Slovakia, under the leadership of Mr Vladimir Meciar's Movement for a Democratic Slovakia (HZDS), breaks its federal ties with the Czech lands, it will be the turn of Hungarians and other ethnic minorities such as Gypsies, Ukrainians,

Poles and Germans to become second-class citizens.

"Meciar is angry with us because we were part of the coalition which ousted him from government last year. We fear that Slovak will become the only official language and we will be discriminated against. We intend to form a united opposition with the right-wing parties and the Christian Democrats," says Mr Halasz in Kosice, Slovakia's second biggest city, near the Hungarian and Ukrainian borders.

The presence of nervous ethnic minorities and strong Catholic traditions kept support for the HZDS to 28 per cent of the vote in Eastern Slovakia compared with 51 per cent in central Slovakia and over 35 per cent nationwide.

Eastern Slovakia has suffered less from unemployment than central Slovakia with its heavy concentration of arms factories. Thanks to some adroit managerial footwork and federal assistance several thousand new jobs have been created over the past year by VSZ steelworks, the largest [the Czechs] will get better." she says.

It is a different story in central Slovakia, where thousands of workers supplied the former Soviet market. It is in towns such as Martin that resentment against Prague and support for the former communists and the pro-independence parties is strongest. But the sense that Slovaks should take their own future in their hands and break away from what is seen as Prague's insensitivity to Slo vak interests is strongest in the Bratislava-based ministries.

Mrs Dagmar Repcekova of the Economy Ministry's foreign trade department approves of the emerging alliance between Mr Meciar, a former communist secret policeman, and the "Democratic left" reformed communists led by Mr Peter Weiss. "The Democratic Left is full of people who have a lot of experience in planning and decision-making. Both Mediar and Weiss accept the market system. But

NEWS: UK

### Government to dilute plan for rail sell-off

By Richard Tomkins, Transport Correspondent

BRITAIN'S state-owned railway system is likely to remain substantially in the owership of British Rail under heavily watered-down privatisation plans to be announced by the government tomorrow. The proposals are likely to be greeted with relief by the national railways of other European Community coun-

tries, many of which had feared they would serve as a precedent for the break-up and sale of their own rail networks. They will nevertheless provoke concern from some notably France's Societe Nationale des Chemins de Fer because they breach the long-

enjoy a monopoly over rail ser-After struggling unsuccessfully for several years to find a way of disposing of its lossmaking railways outright, the British government has opted for a structure similar to

established European custom

that state-owned railways

the risks to the private sector in taking on a franchise. In addition to privatising BR's services, the white paper. one introduced in Sweden in Under this scheme, BR will stay in charge of the railway tracks indefinitely. Privatisa-tion will consist mainly of trying to get the private sector to

However, only the freight trains will be offered for outright sale. On the passenger "to be attractive to buyers.

side, the private sector's role will be limited mainly to oper-ating some routes under fran-

The government is likely to proceed extremely cautiously

with the award of franchises

because of the private sector's

lack of previous experience

operating complex railway ser-

The private sector is also

wary of the opportunities

because of uncertainties over whether there is any money to be made from running trains.

It has not been reassured by

the escalating losses reported

by BR two weeks ago.

The white paper will attempt to ease some of the private sec-

tor's anxieties about costs by

allowing franchisees to lease passenger trains from BR

instead of buying their own.

If a franchise is not renewed,

BR will guarantee to take the

trains back from franchisees. This will considerably reduce

will allow would-be operators

to start up new services along-side BR's. Several companies

such as Virgin Atlantic, the

airline, have expressed an

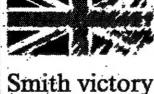
Another aspect of privatisa-

tion will be the gradual offer

for sale of BR's 2,556 stations,

though only a few are expected

interest in doing so.



### expected in Labour contest

Mr John Smith is set for a crushing victory over Mr Bryan Gould in this week's opposition Labour leadership contest with the support of up to 90 per cent of the party's

The shadow chancellor's campaign advisers said his overwhelming support in all three branches of the electoral college that chooses the leader - the trade unions, parliamentary party and constituencies - would give him unprec-

edented authority as lea Mrs Margaret Beckett is expected to beat off challenges from Mr John Prescott and Mr Gould when the votes in the deputy and leadership contests are counted on Saturday.

#### Protest move

Strike action by government employees protesting over gov-ernment plans to move them from Westminster to Canary Wharf in London's docklands may close two government departments on Wednesday. Staff at the environment and

transport departments oppose the move because it means extra travelling and disruption for a workforce already under pressure from staff cuts, unions say.

#### Upturn in confidence

The financial services sector may be about to pick up, according to a report published today. However, the survey of 333 companies warns that business volumes remain well below normal and says that improved profitability has been won partly through job losses and reduced costs. For the only the second time since December 1989, the report produced jointly by the Confederation of British Industry and Coopers & Lybrand – records an upturn in business



Britain's Nigel Mansell took another stride towards the Formula One world championship yesterday with a British Grand Prix victory at Silverstone. Thousands of fans poured on to the track after Mansell crossed the finish line for his seventh win of the season for the Williams Renault team. Team-mate Riccardo Patrese finished second and Martin Brundle third. Mansell has a 36-point lead over Patrese in the drivers' championship, with just seven races left

### Ford unions in Europe join forces

UNIONS representing Ford workers across Europe are combining forces for the first time to make representations

They believe Ford management in the US has taken a strategic decision to subcontract an increasing number of production processes and fear thousands of jobs are at risk in the long term.

The move comes in spite of

the unions' continuing difficulties in forming a European works council at Ford, designed to give a collective voice to workers from all six European countries where

Ford has a presence. German union leaders want Euro-works council representatives to be elected only from Ford employees. The British want some full-time union officials on the proposed 20-

member council. This week, however, negotiators from Britain, Germany, Belgium, Spain and Portugal will ask Ford of Europe management for a meeting to request assurances that no core processes will be subcontracted within the next five years. Unions believe the proposal to put seat production at Ford in Britain out to tender Engineers at Ford's research and development plant in Dunton, Essex, are to stage a one-day strike tomorrow in protest over the company's plan to relocate 300 jobs to

Germany.

The move is part of the company's strategy of "co-location" which involves bringing together staff working on similar activities. British engineers are angry that while 300 jobs are moving to Germany only 26 are coming to Britain.

will lead to 800 job losses and heralds a move to increase subcontracting. Ford Is due to decide on that proposal later this year.

Carmakers can cut costs substantially by forging long-term partnerships with a relatively small number of key suppliers. These are required to bear all the big costs of research and development in exchange for

long-term supply contracts. Ford denied that it plans to sub-contract core businesses. The company said: "Out-sourcing of some work is an ongoing process. We have looked at peripheral areas for a number of years. We are always asking whether someone can do the work better than we

### No amnesty on allegations of abuse Ralph Atkins looks at the perennial charges laid

MNESTY Interna-A tional, the human rights organisation, tional, the human last week again documented lengthy allegations of abuse in Northern Ireland. It is a perennial charge against the UR government which has to tackle, in the IRA and loyalist paramilitaries, some of the

world's most experienced ter-

This year, though, there is perhaps more reason to suegest that tougher measures to prevent abuse may be implemented. All the Northern Ireland parties taking pert in round table" talks on the province's future have backed a bill of rights or incorporation of the European convention on human rights into UK law. Sir Patrick Mayhew, North-

ern Ireland secretary, has said

against the UK government in Northern Ireland

Allegations of the sort listed

by Amnesty International are common in the republican heartlands and Roman Catholic-dominated towns of Northern Ireland. But unionists are also worried about possible abuse. Few argue that abuse is avoidable in an undeclared war against paramilitaries. The worst atrocities are committed by terrorists; ministers' prime concern has to be preserving the right to life of the prov-

ince's population. It is a difficult balance, but the security forces are often

move. If the talks collapse, it is one element that might be salone element that might be salsometimes by unionists as safeguards," says Mr Colm

"There is no law here," says Father Denis Faul, principal of St Patrick's Academy in Dungannon, Co Tyrone, and persistent campaigner for human rights. The British give us the small liberties but they will keep all the big ones. They are

a bit inclined to be bullies." Allegations of human rights abuse lowers Britain's esteem in international eyes, adding to Northern Ireland's grim image in the eyes of possible investors. "In Northern Ireland you have much greater pressure on human rights but the pressure

Campbell, chairman of the Belfast-based Committee on the Administration of Justice.

Particular anxiety has arisen in the past year over the treatment of suspects at the RUC's Castlereagh holding centre. The Northern Ireland Emergency provisions acts allow terrorist suspects to be held for up to seven days without being charged. Access to a solicitor can be delayed for 48 hours.

Amnesty International last week detailed allegations of confessions obtained under duress and of physical intimidation of suspects. Last year, it he would not oppose such a distrusted by the minority takes place in the part of complained to the United

Nations' Committee against Torture. The RUC says there is no policy of abusing prisoners and its investigations rarely find conclusive evidence to substantiate the allegations.

An independent commissioner for bolding centres is to be appointed but complaints will continue to be investigated by the RUC itself - either under the supervision of the new commissioner or the existing Northern Ireland Independent Commission for Police

The Northern Ireland Office argues that it strikes the right balance between tackling terrorism and protecting human rights. But, as has become apparent during the interparty talks, unionists and nationalists accept that a formal mechanism for ensuring a proper

### **Business supports rail**

BUSINESS managers are thought British Rail strongly in favour of investing

in the railways, according to a survey published yesterday. But while they back the railways, few actually travel by train, with 82 per cent of those questioned taking the car to work and only 10 per cent

The survey of more than 1,000 British Institute of Management (BIM) members found: • Three-in-five would pay for more rail investment and only one-in-three supported more

Nearly three-quarters be better value for money.

investment levels were too

• Only 15 per cent wanted more motorways built. • 88 per cent thought more freight should travel by rail. • 43 per cent opposed the pri-vatisation of BR.

• 51 per cent thought privatisation would improve services while 36 per cent disagreed. Overall, while managers thought more should be spent on the railways, they found car travel more comfortable. although rail was perceived to

The rapid growth of an Ohio bank over the last 18 months has lifted it into the same league as some of the oldest US financial institutions. Alan Friedman reports

# One of the boys

gainst a national backdrop of a commercial banking industry battered by prop-erty loan losses and recession, a bank from Columbus, Ohio, has quietly emerged as one of the best managed, most rapidly expanding and most strategically successful financial institutions in the

Banc One, little known outside the US, has expanded away from its roots in the midwestern heartland by way of a dozen bank takeovers over the past 18 months in places such as Colorado, Texas and Ari-

The acquisitions have been accompanied by a management for-mula that combines decentralised decision-making with group-wide guidance and advice.

Since the start of 1991 - as a result of the acquisitions - Banc One has succeeded in boosting its total assets from \$30bn (£15.7bn) to more than \$75bn.

Its network has grown from 587 to 1,328 branches, its workforce from 19,300 to 47,061 people and its geographic presence from six to 11

Wall Street analysts say Banc One is one of the few US institutions genuinely positioned to become a nationwide bank.

This has been accomplished without diluting the bank's earnings per share, its equity-to-assets capital ratio or its return on assets, which at 1.5 per cent is significantly higher than the average (0.89 per cent) return of the top 25 US banks. Last year, only four US banks -Bank of America, JP Morgan, Chase

earned more than Banc One's \$529.5m of net profits. And only BofA, NationsBank, Morgan and Chemical Bank have a present market capitalisation larger than Banc One's stockmarket value

Manhattan and Bankers Trust -

The secret of Banc One's success is the result of a mosaic of strate-

These include a strictly domestic banking operation, a conservative approach to lending that has kept the bank largely away from the troubled property sector, a technoltools that are admired throughout the industry.

It is almost axiomatic to assume that problems must await any bank that is expanding as rapidly as Banc

Yet Wall Street analysts and top bankers alike say they have confidence in the bank and in John McCoy, the third generation mem-ber of his family to chair the bank. George Salem, a normally sceptical analyst with Prodential Securities, fairly bubbles with praise: "Banc One could well be the best

practitioner of excellent bank manment in all its dimensions. Art Ryan, president of Chase Manhattan, has great faith in Banc One's strategy: "They are very, very good at what they do. I'd buy their

Banc One's stock price, which has leapt by 36 per cent over the past 18 months, has obviously helped pay for the takeovers, which are mainly in stock, not cash.

ut so has the bank's continuous experience in acquiring banks - more than 100 deals have been made over the past 25 years.

Acquisitions, according to McCoy, are more than a strategy. They are

The 48-year-old McCoy, a burly man with a penchant for mono-grammed blue shirts, sits in his 16th floor office in downtown Columbus and explains his acquisition and management strategies.

"First of all I don't believe in merger of equals. We've really tried to study what we do. One rule is we never buy a bank more than a third of our own size. Then, we are only really inter-

ested in opportunities in a retail hanking market where we can be first or second in terms of market share. And we don't want to take on a bank with asset quality prob-

The few sceptics around say Banc One has paid too richly for some

But McCov insists that the bank takeovers will not dilute overall earnings per share, even if the issuing of new stock has diluted shareholdings in Banc One itself, includ-

agement and financial reporting ing that of his own family, which is now below 1 per cent.

Once banks are acquired, however, Banc One swings into action to belp manage and to slash oper-ating costs. The first step is to transfer data processing operations to a central office in Springfield,

The Springfield computer centre is more than just an administrative division - it is also the second biggest automated clearing house transaction processor in the US, a profitable Banc One business that last year processed 44.8m electronic payments, primarily made to insurance companies by individuals. The dollar value of those transactions

The heart of Banc One's much envied management, however, is what the bank calls its policy of uncommon partnerships". This is shorthand for leaving

acquired banks relatively free to design their own marketing strategies and pricing, although not their management system and product portfolio, which are uniform inside the Banc One empire.

Managers at the 58 separate banks inside the network are both intimidated and inspired to achieve a high return on assets by an unusual, computer-based monthly reporting system known as the Management Information Computer System (Mics).

All Banc One managers can and do use Mics to compare results. The management system also has a A team of Banc One consultants

is almost always on the road, offer-ing a manager in Kentucky the fruits of lessons learned in Ohio or

to compare themselves to. We allow our guys to see who is doing things the best, and how they are doing t," says McCoy. If Banc One is bucking the tional trend, this is also because

of the bank's strategy of spreading risk geographically and among umerous small consumers. Its retail banking experience includes being the first bank in the US to buy a franchise to issue BankAmericard (1967), the forerun-

McCov notes that 99 per cent of the bank's \$32.6bn total loan book consists of loans of less than \$50m. The bank's strong focus on the consumer can also be found in the profitable credit card and instalment loan divisions. With \$4.1hn of credit card receivables on its books, Banc One is among the leading card issuers in the US.

Nancy Bush, a bank analyst at Brown Brothers Harriman, says the bank's above-average 6.5 per cent net interest margin stems in part from the rich pickings of an average 17.8 per cent interest yield earned on credit card balances.

Just as striking is the fact that while big banks in New York are experiencing record consumer delinquencies, Banc One's more conservative midwestern clientele is better at paying bills, which helps sitions explain the average 14 per cent gestion.

earned on \$6.9bn of consumer instalment losss.

The main criticism to make of McCoy's management approach is that he is taking on more than he can handle. Bush says the bank is "pushing the outer edge of the envelope" with its aggressive acquisitions strategy. But she adds: "They have a great depth of management simply by dint of having already acquired and integrated so many banks for the last 20 years."

McCoy, while noting proudly that Banc One will be the seventh higgest bank in the US in asset terms by year-end, agrees that the bank must now undergo a period of consolidation rather than further acqui-

profits, hardly a sign that the acquisitions have caused a bout of indi-

### **Promoting service** with a smile

By Sara Webb

rvice and efficiency were seldom buzzwords of hoteliers in the Soviet Union and eastern bloc under communism. But as the former Soviet republics and east Kuropean economies open up, many hotels are trying to raise standards to attract more tourists

According to Andrew Lockwood, lecturer in hotel and restaurant management at the University of Surrey: "In the past, many of the hotels had no need to budget or look at cost control - the money was simply provided by the state. Now they need to learn how to budget and prepare financial

The hotels also face practical problems in attracting and training suitable staff, and obtaining regular supplies of food and fuel.

When Toomas Slidmäe started recruiting staff for the Palace

Hotel, rated the best in the an capital of Tallinn, be vowed not to employ anyone who had worked under the old Soviet

As managing director of Finest Hotel Group, he wanted staff who were young, motivated and service-minded to establish a hotel which could cater both for ssmen and well-heeled

With unofficial unemployment estimated at 20-25 per cent in Estonia, there is no shortage of shortage of well-trained hotel staff. Initially, the Palace Hetel sent. its staff to Finland for training only to discover that the best people quickly found jobs there.

So the botel has started a number of schemes to keep its employees. · Staff receive part of their salary in roubles, plus a sum ranging from one-to-three times the rouble portion in hard currency, according to how well they perform. In a country where the rouble is regarded with some contempt, the hard currency is very attractive, Staff are entitled to discounts at the hotel's hard currency shop which sells alcohol and imported food. They can also order basic groceries on the premises so they do not have to waste time shopping during their working hours. This also means staff spend their Staff are given chaque books with which to pay for groceries, canteen or restaurant food, and

the money is deducted from wag The most senior staff are entitled to use company cars, bought second-hand in Germany which can be resold two years later for almost the same price.

"A hard currency salary and the prestige of working for a successful business is important, says one Estonian official. "It's very easy to fire people here so if you have a good job, you don't want to lose it - it's quite an incentive for people to smile in the hotel."

Even so, Sildmäe, a former trade ministry official, sees the government's privatisation plans s the most serious threat to attracting staff. "Estonians like to work for themselves, even if that means having a two-metre wide klosk on a street corner ... w have to persuade them that it is not bad to work for someone else.

Food and fuel supplies have posed problems for the hotel, and the group's separate restaurants, and pizza chain in Tallinn. The company employs four people in its purchasing department simply to ensure that it has the right ingredients. Most of the food is produced in Estonia and is bought from the private sector, but some items — alcohol, French cheeses, spices and fruit - are imported,

mainly from Germany. While it is possible to buy food in bulk, it can be very difficult to guarantee supply. "You can only get the fishermen to supply salmon for the three months when it is available, so the purchasing staff must buy, prepare and freeze it so it is always on the menu." says

Last winter, Estonia had to cut heating in offices and homes, and rationed fuel supplies as Russia started to charge world market prices for energy supplies. Sildmie rented a filling station and bought as much petrol as possible for the rental cars and delivery vans. The decision paid off and the group now has surplus petrol.

The group was less fortunate with its heating supplies last winter. The hotel was unable to control its heating supply and had to install electric heaters to prevent the rooms from turning into iceboxes. Now, it plans a separate

### **CONSTRUCTION CONTRACTS**

### BRIEFS...

JOHN SISK & SON NORT HERN has won contracts worth £8m. Recent work includes repairs to a motorway underpass on the M1, a number of contracts for North West Water, cladding for the Quarry and three units for one of Europe's largest retailers.

LAING SCOTLAND has been awarded construction contracts worth more than com. Heading the list is a 3,128 sq metres supermarket for Scotmid at Uddingston valued at

Other work involves refurbishment at the Royal Infir-mary, Glasgow (£1.2m), a ser-vices building and roadworks at Cameronbridge (£709,000) and a brickwork package for the HCI hopital project in Clydebank (£1.9m).

Over 5,000 sq metres of the Astrawall curtain walling system has been ordered from STOAKES SYSTEMS, Purley, for installation on two six-storey office blocks under construction at Pamplona in northern Spain. The blocks form part of Feurte del Printcipe Parque - an apartment and office complex being developed by Invermi.

JOHN LELLIOTT CONSTRUC-TION GROUP has been awarded a £1.4m contract to build the new Food Garden restaurant on the fourth floor of Selfridges department store in Oxford Street, London. Work involves stripping out the restaurant and constructing a Four office developments are new 350-seater restuarant.

BUILDING SERVICES DESIGN PARTNERSHIP has been appointed by the London Borough of Hammersmith & Ful-ham to undertake surveys of the mechanical and electrical installations in 94 of their publie buildings. It will also check and update plant and equip-ment asset registers and advise on health and safety matters.



HI-Spec structures for HI-Tech industries Crendon Structures Ltd, Long Crendon, Aylesbury: Bucks. HP16 988. Tel Long Crendon (1844) 209481 Fax: (1844) 201622 Teles: 83249

### Treating wastewater in Egypt

A contract to build a US\$110m per day and will significantly struction services. (257.29m) wastewater treatment facility near Suez, Egypt, has been awarded to a joint venture including a unit of the Sweden-based ASRA BROWN BOVERI (ABB). The plant, to be completed in 1995, will have a capacity of 130,000 cu metres

reduce wastewater pollution along the Suez Canal.

ABB SUSA, as the sponsor, is to work with the DIL-LINGHAM CONSTRUCTION COMPANY, based in Pleasonton, California, to provide final design, procurement and con-

already in place after earlier feasibility work by two Southern Water companies,

Southern Projects and

Southern Science, and Rendel's

first role is to identify appro-priate schemes for planning

approval. It will then under-

take detailed design, prepare

contract documents and super-

The Ventnor scheme is

vise construction.

Most of the funding for the project will be provided by a US\$82m (£42.7m) grant from the United States Agency for International Development (USAID). Most of the grant is to be spent on products and

pump station at Collins Point

with a pumping main/gravity sewer to headworks at Flowers

Brook and an 800 metre long

main/gravity sewer could run

from a pump station at Lane End to headworks at Foreland

Field Road, incorporating a

2,300 metre long sea outfall.

Rendel will also be considering

alternative proposals to

include pumping 4km to a treatment works at Sandown.

A further contract for Thames Water Utilities is val-

ued at £1m for additional

works at Farmoor Reservoir

Amey Mec-Tric, based at

near Oxford.

At Bembridge a pumping

sea outfall

### services from US companies. Isle of Wight water disposal schemes

HIGH-POINT RENDEL is to Ventnor and Bembridge are design and supervise the con-struction of two major schemes for Southern Water to dispose of wastewater and stormwater from two Isle of Wight towns, Ventnor and Bembridge.

Work has already begun on scheme identification and the whole £18m project, incorporating treatment works, pumping stations, pipelines and long sea outfalls, is due for completion

during 1995. uring 1995. expected to incorporate a sea Conceptual schemes for front interceptor sewer and £11m water projects awarded to Amey AMEY GROUP companies have been awarded over £11m of

water related contracts. Amey Farr, the water division of Amey Construction, has been awarded contracts by Severn Trent, Welsh Water. Thames Water and WRC. including both sewage treatment and potable water.

among contracts worth nearly £18m won by TARMAC CON-STRUCTION.

A £2.5m steel-frame office building is to be constructed for Reading Concrete Products at Reading and a £2m office block built in Edinburgh for Castle Properties (Scar-

borough). A £1.7m three-storey office block with car parking is to be

The largest contract is the 27.2m Netheridge Sewage Treatment Works near Gloucester for Severn Trent. The scheme includes the con-

struction of six aeration lanes, four storm tanks and six final tanks, together with sludge

#### Maidenhead, has a £1m con-tract in Scotland at the Longhandling facilities, pipework mans Pumping Station for £18m orders for Tarmac Construction

office extension at Swindon is to be fitted out for the Business Design Group (£1.3m). A 1.5 kilometre length of Penistone Road, Sheffield is to be converted to dual carriageway for Sheffield City Council

at a cost of £3.1m. Other projects include the refurbishment of the main entrance of the JM Centre in Liverpool for Centreville Estates (2790,000); an improvebuilt at Reigate in Surrey for ment scheme for King Edward MGM Assurance, and a new Street in the centre of London Association.

### Hospital refurbishment in Weymouth

WICKENS CONSTRUCTION. based in Chertsey, Surrey, has been awarded £8m work in five

The largest, at £3.5m, is a three-phase 70-week contract of Hounslow. The work also for Warden Housing Association to refurbish and convert Portwey Hospital, Weymouth, into self-contained dwellings and to design and build a fur-ther 57 flats and houses.

At Worple Road, Islaworth in for Mediken Middlesex, the company has begun work on a 22m 75-week contract to build a primary school for the London Borough involves demolition of the existing building.

The third award is a designand-build commission worth £1.25m for a community day

for the Corporation of London (£350,000); updating the Doncaster fish and general market for the Metropolitan Borough Council (£324,000) and a factory extension for Veka at Burnley

(000,0002)The contract housing depart ment, which specialises in public sector work, has won a 23.8m contract to refurbish an 18-storey block of flats and provide new offices at Wolverhampton for Focus Housing

Also design-and-build is the phase 2 development contract valued at £338,000 for 30 houses for Knightstone Housing Assoclation at Totton, Southamp-

ton The last is a refurbishment project worth £355,000 for offices at Fratton Road, Portsmouth for Portsmouth Housing

Yet analysts forecast that Banc One will achieve an increase of about 13 per cent in its 1992 net

### PEOPLE "

### Cutts moves to Chartered WestLB | C Itoh man

John Cutts, one of London's growing corps of European corporate financiers, is moving shop again. Having helped build Samuel Montagu's Euro-pean corporate finance network, he is joining Chartered WestLB as managing director, corporate finance.

The 41-year-old Cutts, who is finent in German, French and Dutch, has not followed the traditional career path of most London merchant bankers. He started work as an engineering apprentice. building Rolls-Royce aero engines in Derby, then sold telephone answering machines around Europe. But it was not until he graduated from the Insead management school that he realised he wanted to be something more than an engineer. He joined Amsterdam-Rotterdam Bank in the early 1980s and was involved in building

up its mergers and acquisitions

**Bodies** politic

E Peter O'Keefe is the new

national chairman of the INSTITUTE OF LOGISTICS

MANAGEMENT.

Andrew Ball, VAT partner at Touche Ross, has been appointed chairman of the VAT PRACTITIONERS

Robert McDonald, chairman

been appointed director of the STAFFORDSHIRE Tec.

of Probus Housewares, has

Christopher Jones, senior

partner of Drivers Jonas, has

been elected president of the

BOYAL INSTITUTION OF

CHARTERED SURVEYORS.

been elected president of the WATER COMPANIES

Elliott of Morpeth who was

Brian Kills, chairman of

CHAMBER OF COMMERCE

has become chairman of The

appointed director, securities

SALVAGE ASSOCIATION.

■ Glenda Davies has been

SECURITIES HOUSES

m Clare Connery, writer and

ASSOCIATION.

president for 17 years.

& INDUSTRY.

Brian Roddick, an

■ Peter Bottomley MP has

AND DISTRIBUTION

GROUP.



team. At the end of 1985 he moved to EBC Amro Bank to head its corporate finance department, and three years later switched to Samuel Montagu. His move to Montagu, the merchant banking arm of Midland Bank, was partly prompted by George Loudon's appointment to the Midland

Dutch man, and Cutts, who is half Austrian; had worked together at Amro.
Samuel Montagu differs from many London merchant banks in having established a successful corporate finance network in various Continental centres, rather than servicing clients' needs just from the City. Cutts wants to do the same again at Charter WestLB. a merchant bank jointly owned by Standard Chartered and

> having been brought up in Düsseldorf, home of West-deutsche Landsebank. Cutts joins Jan Bowlus, who was hired from Pruden-tial-Bachs Capital Funding two years ago. Bowlus, who is also a corporate finance managing director, will concentrate on developing and marketing cor-porate finance products.

Russian lawyer, Ksenya Solovyova, has left the Parisbased American law firm of Salans Hertzfeld & Heilbronn to join City solicitors Lovell White Durrant as a member of its east west trade group. The daughter of the former Soviet Union's leading industrial designer, Solovyova studied international law in Moscow and spent 12 years at a govern-ment think-tank for developing the economy before joining Sal-ans Hertzfeld in 1989. Her rule at Lovells will be to

Westdeutsche Landesbank.

Cutts knows Germany well,

advise western businesses on the conduct of large transactions in eastern Europe.

system for heating the water and

rooms so that it can run off an

independent energy supply next

Bank board in 1988. Loudon, a for HSBC Minoru Murofushi, the 61-year-old chief executive of . C liob, one of the world's

biggest trading houses, has been appointed to the board of HSBC Holdings, the new owner of Midland Bank. This is believed to be the first time that HSBC, parent of the Hongkong Bank, has put a Japanese businessman on its board and is in line with the group's plans to give it a more international flavour. Until now it has been dominated by local Hong Kong.

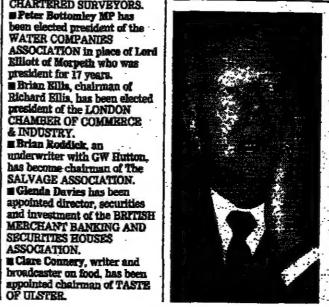
businessmen.
Murofushi joined C Itoh in 1956 after graduating in law from Tokyo University, in 1963 he was made general manager of the group's coal department in New York and became vice president of C Itoh (America) in 1971. He went on the board of C Itoh in 1985 and was appointed chief executive in

₹<u>6</u>6

June 1990. Sir Peter Walters, chatranan of Midland Bank, and Brian Pearse, Midland's chief executive, have also joined the HSBC board following the takeover of Midland.

Claus Moehlmann has been appointed md in the investment banking group of SWISS BANK CORPORATION: he will be based in London.

Brian Constant has been promoted to be a director of LLOYDS BANK's corporate banking division. ■ David Gibson has retired from HENDERSON ADMINISTRATION.



Sir Desmond Pitcher will be stepping down as chief execu-tive of the Littlewoods pools and retailing group next March after completing 10 years in the job. He will be succeeded by

Barry Dale, 53, currently finance director, who joined the Liverpool-based Littlewoods from London Transport four years ago.
Sir Desmond, who will

retain his links with Littlewoods by becoming non-executive vice chairman, intends to devote his time helping to regenerate Merseyside. "He will be 58 by next March and believes this will be an appropriate time to pursue the next step in his career," Littlewoods said.

During his time there, Sir Desmond has given Little-

woods a far harder commercial edge. Its retailing arm, which includes Littlewoods stores and the Index chain of catalogue shops, has sharpened its focus and benefited from the introduction of computer systems. Sir Desmond was fully at home with such technology, given his background working for Plessey, even if he was not the most intuitive of retailers.

Dale has been appointed chief executive designate with immediate effect. I think there will be adjustments on the tiller but there will be not change in the overall direc-tion," Littlewoods said. It added its now-ritual code that the Moores family, which owns Littlewoods, had no intention of taking the comArchitecture/Colin Amery

### New York's oasis of the park

ing you crazy. The streets are steaming, the hydrants are streaming and only the casis of the park can help to keep you sane. There cannot be another city in the world where a park is of such importance. It is like St. Mark's Square in Venice – an outdoor drawing room. But it is so much more than that. It really is rus in urbe and it was intended to be by its nine-

teenth century creators.

When the Street Commissioners of 1807 impressed the island of Manhattan with an immovable grid, they felt that the miles of waterfront around the shoreline would be enough to give the city breathing space and plenty of room for exercise and recreation. They were wrong. Commerce and the piers took up the waterfront and soon the highways, the bridges, the entries and exits from the tunnels filled up the desireable waterside places. There was a need for a lung.

It was not until 1858 that the city held a competition for the Central Park. It was won by a writer, Frederick Law Olmsted and an architect, Calvert Vaux. Their scheme was called "The Greensward".

There was something very original about their plan at the time. It was nothing to do with the classical ideas of the eighteenth century but it was deeply romantic and picturesque. It was to look like untarned nature but every inch of it was to be planned and designed. It was also to have whole areas where the denizens of New York could promenade in a more formal manner

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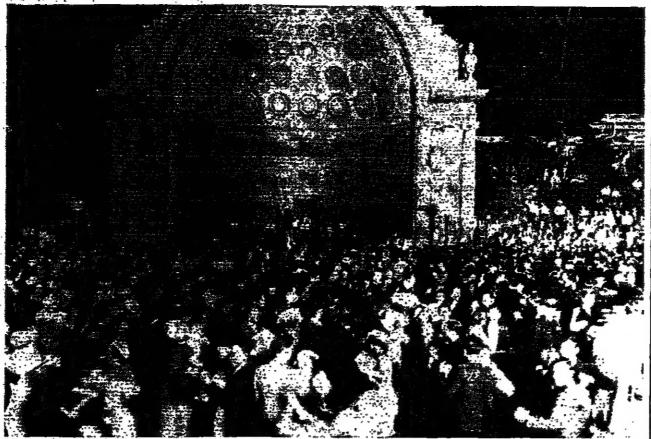
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t's summertime in New way – long before the advent York and the heat is drive of jogging and manic movement. The Park was also to house some cultural activities and among the rustic arbours and fountains music would be played and civilised pleasures Many of the wishes of the

founders of the park have been fulfilled over the years. But there was a time when the joys of Central Park were oversh owed by its dangers. In the 1960s and 1970s vandals and criminals began to ruln the Prk systematically. Only in the recent past has the New York City's Parks Department, with the considerable help of the private fund raising group known as The Central Park Conservancy, been able to reverse the decima and begin the restoration of much of the park to the original design.
One of the areas that has been the subject of much resto-ration work and expenditure has been the park's mall, which stretches from 66th Street to 72nd Street on the east side of the park. An area just to the east of this mall is

known as the Concert Grounds and here stands the remarkably handsome and appropri-ate Naumburg Band shell — a gift to the City of New York in 1921 from a music enthusiast, Elkan Naumburg. The limestone band shell resembles a giant rained portion of a Roman building and its great coffered half-domed ceiling, while looking marvellous also projects the sound of an orchestra or band perfectly. The shell is inscribed "Presented to the City of New York and its Music Lovers", and it is not just a handsome object in the park but also a monument



The Central Park hand shell: it has hosted concerts by the likes of Duke Ellington but is, amazingly, to be demolished

to the generosity of a private citizen. It has hosted concerts by Duke Ellington, Percy Grainger, Sonsa, Irving Berlin, Benny Goodman and many others. It is, amazingly, to be demolished by The Parks

Department.
The row over this perverse decision has grown and grown and complex legal proceedings are underway to try and save this part of the history of Cen-tral Park. If it is demolished it will be a great loss and it is hard to understand the reasons for its removal. These arguments are that it is "obsolete for today's amplified concerts' and the Central Park Conservancy are opposed to perma-nent concert sites in the park. I

would have thought that many musicians are anxious to play in "natural" acoustic conditions today, and that there is more than enough amplification of sound in a city like New York. The other main argument seems to be that the shell was not part of Olmsted's original design and that it partially blocks a view from the newly restored Wisteria Pergola. The other argument seems very spurious - that the band shell attracts the homeless, drug dealers and vandalism. As one opponent of the demolition has written, "if that argument is used in favour of the demolition of historic buildings then New York should start with

the demolition of Grand Cen-

tral Station and work down." The argument over the demolition of an agreeable, useful and important monument in Central Park demonstrates how vulnerable historic buildings are. I suspect that the "improvers" of Central Park who give generously of

time and money think that they are doing the right thing. But in fact they are demonstrating the fallibility those who believe in "authentic restoration". As the New York architect Robert Stern has written: "Central Park is no longer a 'pure' work of Olmsted and Vaux's. It is a palimpsest with many layers ... History demands that we take a longer view, preserv-

ing all the best elements of the past, which is invariably more complex and varied than simply returning the clock to a particular moment will allow. The past should not be erased."

How right he is. But will pol-iticians see the subtlety of his point or will they wantonly destroy one of the survivors of the City Beautiful Movement? The band shell may be a small object in a great city, but the fight over its future concentrates the mind on the complex history of our surroundings. It is too easy to wipe out the generosity of the past and too easy to believe in the false gods of "authentic restoration" to remove anything that may get in their way.

Opera

### Terrible Mouth

he premiere of Terri-ble Mouth, with music by Nigel Osborne to a text by Howard Barker, establishes Almeida Opera as a genuinely credible replacement to the much sed Almeida Festival,

While it does not attempt to match the sheer scope and ambition of its predecessor, this season's programme, with the Osborne opera as its cen-treplece and flanked by the British premiere of Oliver's Mario and the Magician (already reviewed here by Max Loppert) and a double hill of Vigeland and Krenek, gives a good sense of its distinctive direction.

It underlines too the potential of further collaborations between the Almeida Theatre and English National Opera's

Contemporary Opera Studio.

Terrible Mouth is built around a critical episode in the life of the painter Goya. The initial impulse for the piece was Barker's, his libretto dates back to the mid 1980s. was written unprompted and subsequently taken up by Osborne in a commission from BBC

Radio 1 In a Guardian article last week Barker described the background to his Goya text, the derivation of his title (from the leering grin of a self-por-

to the events he recorded and satirised, characterising him as "a man as much fascinated as repelled by disorder and sud-den death".

The six tightly constructed at a Spanish country house, where the reverberations from the French Revolution are destabilising society.

The house has been transformed as a military hospital, and when Goya arrives with his mistress the Countess of Alba he is confronted for the first time with the realities of war, with the blood and the suffering that has fuelled his

The events force him to realise his complicity in these atrocities; the opera ends with Goya in Barker's words "painting himself into oblivion", as he begins a neutral, formal portrait of the Man Without a Conscience, the owner of the

undamental to the conception is a division of the part of Goya between an actor and a singer. Barker created the spo-ken role for Ian McDiarmid, the Almeida's artistic director: Omar Ebrahim takes charge of the vocal lines.

trait) and its exploration of the painter's ambivalent attitude to the events he recorded and incoherent, the other all vision and lyrical articulacy.

The other principal roles are sung, but the interplay of act-ors and singers is carried over into the six-strong chorus, the scenes portray events in 1792 Chorus of the Maimed, which creates the vocal background against which the main events are etched, a soundscape of guttural sounds and whispers, explosive horror and menacing gestures.

his is Osborne's third opera, and by some way his most consistently satisfying. After the miscalculations of the Opera Factory Hell's Angels in 1985, and the intermittent success of The Electrification of the Soviet Union for Glyndebourne in 1987, Terrible Mouth has a high musical specific gravity and tight dramatic coherence. It last barely 80 minutes yet

delves deeply into its subject matter; there are wonderful tensions between lyrical heauty and grim reality, some sonorous vocal lines and a barmonic scheme that plots the course of the opera with confidence.

Osborne uses an ensemble of cellos perched high upstage as the basis of his musical structure; the remaining instru-They create a powerful dual ments, wind and percussion.

provide local colour and sudden expressive effusions.

David Pountney's production sustains and reinforces these nightmare visions and passing moments of lucidity. It is spare and direct, with the minimum of scenic clutter (design by Nigel Lowery) and gives free rein to McDiarmid's vivid per-

Ebrahim's intense Elizabeth Laurence is the Duchess of Alba, seductive and unfeeling by turn, Richard Van Allen the rentilian Man Without a Conscience. Neill Archer doubles the role of servant and revolutionary Captain; Clive Bayley is the sadistic surgeon, a sibling to the manic Doctor in Wozzeck, while Anna Steiger is the Hooded Figure, the image of death and destruction whose rapt utterances articulate Goya's voyage of psychological rev-

elation. They all contribute to a demanding piece of music theatre which may be short on compassion but is consistently absorbing and most eloquently

Andrew Clements

Almeida Theatre; further performances on July 13, 15, 16 and 18

### South African theatre after apartheid

It has taken the visit of an American director to stir the stagnant waters of South African theatre. Two decades of cultural isolation, combined with the widely-felt need to testify against apartheid, have created a local drama scene in South Africa of much energy but little variety. Now directors, writers and actors face new possibilities. But inevitably many find it difficult to shift their focus, to find new

ways of saying and showing. Professor Richard Schechner of New York University is the first international director of repute to work in South Africa for a long time. He is a guest director at the current Standard Bank National Festival of the Arts in Grahamstown, the elegant university town which was once at the heart of 19th century settler-Xhosa wars.

Schechner, who was jointly ponsored by the bank and the US government, has brought August Wilson's play, Ma Rai-ney's Black Bottom. He cast and rehearsed it in Johannesburg, using mainly unknowns, before opening it at the festival this week.

The play is set in a Chicago blues recording studio in the Twenties and is a cameo of racial attitudes then and now. Unlike most of the 120-odd plays at the festival, it is not set behind a proscenium arch; instead. Schechner uses the entire auditorium as a stage. Thus the focus falls on the stage, rather than circumstances alluded to; on direction rather than performance; and on unspoken intimacies and nuances of relationship rather than statements. This obliqueness is foreign to the often strident realism and rhetoric of local theatre as it has succumbed to the twin pressures of reduced public funding of the arts and anti-apartheid

orthodoxies.
The production represents one fruitful direction for the future. Others are emerging as artists face what Nadine Gordimer, echoing the psychologist Erich Fromm, calls the "fear of For the first time, a state-

sponsored arts council, the Performing Arts Council of the Transvaal, has staged a work by the Nobel Prize-winning Nigerian poet and dramatist. the King's Horseman, staged with statuesque simplicity, depicts the conflict between British colonial values and tribal custom. The tribal scenes are written with often operatic flamboyance, the colonial with easy, sardonic wit. The production boasts several fine performances, notably one of weary cynicism by one of the country's most impressive actresses, Nomble Nkonyeni, who started her career with Athol Fugard's Serpent Players in Port Elizabeth in the Sixties.

A variant of the focus on the local is the blending of Fugar-dian psychological realism with the exuberant expressionism of song-and-dance of black improvised theatre. The blend is still uneasy, with marked gear-changes from action within the stage, which the audience observes, to action intended to arouse the audience. Breaks in parrative flow for a toyi-toyi performance (toyi-toyi is the march dance

used by black militants) to underline a politically correct sentiment demand a degree of flexibility of the audience.

This artistic eclecticism is seen, for example, in Life in Hostels by the Zakheni Cultural Group, which also performed in an insouciant mixture of English, Afrikaans and Zulu, like many workshopped plays. The play takes place in a hostel for migrant mineworkers: intense, poignant revelations of degradation break suddenly into rousing tribal songs and dances; horrifying disclosures are swiftly followed by mordant comedy.

Such violent disjunctions are smoothered in Ekhaya-Museum Over Soweto by painter. writer Matsemela Manaka, His musical is about a returning exile's dream of establishing Soweto's first museum. A band is on stage; the master of ceremonies is drunk and libellous; uplifting speeches are made at the audience, and calabashes of beer passed round. The ritual of the opening ceremony is intentionally blurred with the

rituals of performance.
Multi-culturalism is more smoothly achieved in The Nuga Moya Cinderella by Natal's Theatre for Afrika Their musical burlesque is set in a rural post office, complete with a gallery of South African types: the officious postmaster, the right-wing clerk, the resentful, militant son of the dead tea-lady. To raise money for his education, the post office staff stage a version of Cinderella for the village, setting their version in a Zulu kingdom. The white right-wing clerk plays the king; the hand some prince is played as a Soweto rock singer who is not too interested in rural grandeurs; the ugly sisters are played by a white and a black clerk. Ostensibly a light comedy, it consciously creates an image of hope and co-operation, identi-fying what is and what might be in the country at large.

Facing new freedoms has also encouraged South African playwrights to deal with topics previously considered insignificant: preserving wildlife; sexual inequality; sexuality itself. A bizarre feature of this new freedom is some nostalgia for the immediate past - of about duo has disinterred early Boer and Afrikaans songs, which they perform with all the flair of cabaret and disco. When they do the national anthem, Die Stem and come to the verse which talks of dying for the country, black audience members are stalking out, to the performers' apparent surprise.

White audience members took the same line when the country's best-known satirist described sex with identical twins in what is his first mature, well-made play, Die Vieiroos (The Marsh-Rose). Pieter-Dirk Uys's play is his first to plumb beneath political surfaces. Like a surprising number of new South African works, it features a motif of a father-figure, dead but still influential, whom strong, living and often crazy women fight against. It's an apt metaphor for the emergent South African theatre.

Robert Greig



Ian McDiarmid: deaf, raving and incoherent

### ■ FESTIVALS

AIX-EN-PROVENCE The festival opens tonight with Don Glovanni, conducted by Armin Jordan with a cast including Andreas Schmidt, Hilleyi Martinpelto and Marianne Rohrholm (also July 17, 21, 24, 26, 29, 31). Robert Carson's production of Britten's A Midsummer Night's Dream one of last year's hits - is revived on Wed (also July 18, 22, 27). The Rake's Progress opens on Thurs, with Kent Nagano conducting a cast led by Samuel Ramey as Nick Shadow and Tatiana Trovanos as Baba the Turk (also July 20, 25, 28, 30). Theodor Guschibauer conducts Beethoven's Missa Solemnis tomorrow evening, and Samuel Ramey gives a Rossini concert on Sun. William Christie conducts Les Arts Florissants in a Monteverdi concert next Tues. Ends July 31, (16) 4217 3434

Avignon is one of many festivals 541111

gripped by Spanish fever this ar. Lluis Pasquai's production year. Liuis Pasquai s pro-of Lope de Vega's Le Chevalier of Lope de Vega's Le Chevalier d'Olmedo can be seen daily till Sun (except tomorrow) at the Cour d'Honneur du Palais des Papes. A French version of Cervantes' Le Siège de Numance runs daily till Sat at the Cloître des Carmes, where the first of four performances of Pasqual's Lorca compilation, entitled Los Caminos de Federico, can be seen next Mon. The festival also has a strong focus on traditional Latin American music, including a series of Mexican dance evenings at the Cloître des Célestins, Ends Aug 3. (90)

Alegaeir Mufr

GLYNDEBOURNE The final two weeks of this year's festival - the last in the theatre built by John Christle - are devoted to Death in Venice, Jenufa and The Queen of Spades. Robert Tear is Aschenbach in the Britten production (tonight, Thurs and Sat). The Janacek (tomorrow and FrI) is one of Glyndebourne's most successful productions of recent years, thanks to Yakov Kreizberg's conducting, Nikolaus Lehnhoff's staging and a cast led by Roberta Alexander and Anja Silja.

The Tchaikovsky (Wed and Sun), staged in tough theatrical terms by Graham Vick, also comes over with overwhelming force, thanks to Andrew Davis conducting, the playing of the LPO and a cast led by Nancy Gustatson, Sergey Leiferkus and Yury Masurin. Ends July 24. (273)

MACERATA . The festival opens at the Steristerio on Wed with La traviata, conducted by Gustav Kuhn and designed by Josef Svoboda (also July 18, 26, 30). The programme later this month includes La sonnambula with Mariella Devia and four Rossini one-act comic operas. Ends Aug 11. (733) 230735 MONTPELLIER

The Radio France festival, which

opens tonight with a concert

performance of the original version of Aida (1871), devotes itself to off-beat operas. interspersed with a broad mix of symphonic programmes. Mark Kaplan plays Walton's Violin Concerto on Wed with the Orchestre Philharmonique de Radio France conducted by Marek Janowski. Sian Edwards conducts Friday's performance of Oedipe à Colonne, a Gluck-Inspired opera written by the Italian baroque composer

Antonio Secchini during his stay In Paris. Stephen Hough plays Mendelssohn's First Piano Concerto in a symphonic programme on Sat conducted by James Loughran. Next week's performances include Handel's oratorio Jeptha and Puccini's Edgar, with Françoise Pollet. Ends Aug 1. (67) 616681

MONTREUX This is the final week of the jazz festival. Ringo Starr and his All Starr Band give tonight's concert at 20.30. Tomorrow: Bobby McFerrin and Herbie Hancock, Wed: George Duke with special

guests Herbie Hancock, Wayne Shorter and others. Thurs: Brecker Brothers and Tracy Chapman. Friday's concert is a tribute to George Wein and Stéphane Grappelli, and the grand final gala night on Sat features Quincy Jones, Ray Charles, Rake 6 and others. (21) 963 8282

ORANGE This year's performances in the open-air Theatre Antique are Carmen with Kathryn Harries. Neil Shicoff and Barbara Hendricks (July 18 and 21), a Berlioz concert with Isabelle Vernet soprano soloist (July 20) and il trovatore with Sharon Sweet and Lando Bartolini (Aug 8 and 11). (90) 518383

The closing production of this year's festival is II matrimonio segreto in Teatro Algheri, conducted by Glanluigi Gelmetti and staged by Michael Hampe (July 15, 17, 19, 20). There is also a ballet production at the Teatro Rossini-Lugo (July 14, 16, 18), directed by Micha van Hoecke, with music by Roberto Solci and featuring the Swingle Singers. Ends July 21. (544) 32577

SAVONLINNA The Savonlinna Opera Festival. set in the imposing surroundings of Olaviniana Castle in Finland, is celebrating its 25th anniversary. This year's programme consists of Fidelio, Aida, Die Zauberflöte and Porgy and Bess. The new production of Fidelio (Thurs and next Mon)

is staged by August Everding and conducted by Leif Segerstam. Aida (tonight, Fri and next Tues) has a cast of distinguished Finnish singers, including Matti Salminen and Tom Krause. Die Zauberflöte (Wed and Sat) is conducted by Hans Graf, and sung in Finnish. There is a final performance tomorrow of Laszlo Seregi's production of Prokofiev's ballet Romeo and Juliet, Ends July 31. (57) 514700

SCHLESWIG HOLSTEIN The Labeque sisters, with the John McLaughlin ensemble, give tonight's concert in Salzau. Trevor Pinnock and the English Concert visit Rendsburg and Bad Segeberg on Wed and Thurs. Rudolf Buchbinder gives piano recitals in Helde and Altenhof on Fri and Sun. The Lithuanian Chamber Orchestra begins a tour of the region at Kiel on Fri, with festival director Justus Frantz soloist in Mozart's Piano Concerto No 22, Georg Solti conducts the Festival Orchestra in a Wagner and Schubert programme at Neumünster on Sun. Later in the month there will be a chance to hear the King's Singers, the Hilliard Ensemble, the cellist David Geringas and the Lithuanian National Symphony Orchestra. Ends Aug 23. (431) 567080

The Incontri in Terra di Siena, a chamber music series in Pienza and other small towns in the Val d'Orcia, south of Siena. opens on July 22 and continues

till Aug 9. The opening concert in Sinalunga is given by the European Community Chamber Orchestra. Booking for concerts and dinner can be made through Incontri in Terra di Siena, Casella postale 6, 53042 Chianciano T (Siena), Italy. Tel and fax (578)

TANGLEWOOD

The Boston Symphony Orchestra's summer home offers a series of Beethoven concerts this week. Seiji Ozawa conducts tomorrow's programme, which features Alfred Brendel as soloist in the Fourth Piano Concerto (Tanglewood says Brendel has recovered from his recent indisposition). Thursday's recital by the Emerson Quartet is devoted to the Razumovsky quartets. On Friday and Sunday, Brendel plays the other four Beethoven concertos. Saturday's programme, featuring the Violin Concerto (Thomas Zehetmair) and Seventh Symphony, is conducted by Roger Norrington. Next Tues: Boston Pops. Ends Sep 1. (413) 637 1600 VERONA

This year's operas at the Arena are Don Carlo, Nabucco, Aida and La bohème. There are four performances this week: La bohème on Thurs with Lucia Mazzaria and Alberto Cupido. Aida on Fri and Sun with Sharon Sweet, Nicola Martinucci and Gail Gilmore, and Don Carlo on Sat with Luis Lima, Renato Bruson and Aprile Millo, Nabucco opens on Aug 7. Ends Aug 30.

European Cable and Satellite Business TV

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CNN 2000-2030, 2300-2330 World Busi-ness Today - a joint FT/CNN pro-duction with Gruni Perry and Colin Chapman

Super Channel 08:30-0900 (Mon) FT East Europe Report - weekly indepth analysis
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Europe Aopon 0830-0900 (Frii FT Business Weekly

2130-2200 (Thurs) FT Eastern

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0900-0930 World Business This Week - a joint FT/CNN production

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1800-1830 FT Business Weekly 1330-1400, 2030-2100 FT Business

### FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Monday July 13 1992

### Finita la commedia

"CRISIS" HAS so long been the normal state of Italian politics and state finances that foreigners are in danger of underestimating the

crisis Italy is now experiencing.
A rampant public sector deficit. an inconclusive election result followed by a 16-ballot presidential election, the country's top anti-Mafia magistrate murdered, leading politicians indicted for corruption, a fragile government formed after prolonged horse-trading, the public contemptuous of politics: so what else is new? Italians will go on working and making money. even if much of it is concealed from the authorities. Italy will remain a delightful country to visit and an enjoyable if sometimes exasperating one to do business with. Its politics, happily, will remain the least interesting thing about it.

Perhaps that instinctive response of the outsider will prove right, yet again. But this time Italy may have to confront some painful choices. The corruption and irresponsibility of the postwar state has in some respects been cumulative rather than static. The scale of corruption revealed by the current scandai in Milan - particularly in the higher reaches of the Socialist party goes beyond what even the most shameless politician would have attempted in the 1950s or 60s: one reason why it has can no longer afford kickbacks of the size demanded. Similarly the proportion of revenue absorbed in servicing the public debt has grown to almost unmanageable

The recession does not help. even if it has affected Italy later and less drastically than other European countries. In addition, the convergence criteria laid down challenge to a country which needs both economically and psychologically to be in the European Community's first tier.

Above all, the Italian state is a child, and therefore now an orphan, of the cold war - its domestic politics dictated by the choice in favour of the west made in 1948. It has put up with an ever more corrupt and inefficient political system mainly because the only alternative appeared to be a communist-dominated government. But today, communism is no longer an alibi for the ruling class. That is why last April voters plumped in unusual numbers for maverick, anti-system parties, including some which call into question the unity of the country.

The result of that election is paradoxical: a government composed of the same parties as before, with a narrow majority, but conscious of the need for drastic fiscal and institutional reform. It has begun boldly, by taking the axe to Italy's legendary cornucopia of a state pension system. If it carries on like this it should, according to the traditional rules collapse. But this time traditional rules may not apply. Maybe the government will be able to appeal over the head of parliament to a wider public, which knows that the price of the usual governmental failure would this time be too

### Selling the recession

economic strategy is to succeed it must deploy the most important weapon in its political armoury: servatives who are unconvinced that the gain, which lies in the future, is worth the present pain. Some, notably on the backbenches, openly question whether there will be a recovery unless there is a complete change of had been removed. Mr Lamont direction - a withdrawal from the who has shown greater courses exchange rate mechanism, say, or a temporary flotation of sterling. Yes. inflation is down, it is conceded, but where is the growth? They - and the country - need reassurance that there is something of value to be had for what has been called a price worth paying: that low inflation alone is not the whole prize.

Mr Norman Lamont started the process of persuasion in a frank speech on Friday night. The chancellor's determination to stick to the government's hawkish antiinflationary stance could not have been more clearly stated. It was supported by the prime minister in an interview published yesterday. Given where the economy now stands, it is argued, there is no alternative but to stick with a hairshirt strategy whose nature should have been clear when Mr John Major, himself then chancellor, took Britain into the ERM nearly two years ago. Unfortunately, the case for a long hard slog was blurred by 17 months of electioneering, during which it was intimated by both Mr Major and Mr Lamont - not to mention

NOT BEFORE time, the British government has realised that if its - that recovery was just around that recovery was just around the corner.

Now that the election is out of the way the original argument must be rehearsed all over again. If the prime minister was hesitant about selling his strategy after April 10, it may be because he genuinely believed that consumer confidence would return once the threat of a Labour government and persistence under pressure than most of his postwar predeces sors, has until now been slow to perceive that you cannot hope to lead the British public on a long march towards permanent nearzero inflation unless you explain the benefits of such an endeavour. The need for political salesmanship will increase if there is no sign of an upturn after the sum-

By that time, backbench doubts about the management of the economy will be bound up with doubts about the wisdom of ratifying the treaty on European union agreed at Maastricht. Mr Major has been robust in his responses to the Eurosceptics behind and above him. but the Tories remain divided. Yet, as with the ERM. there is no alternative for the government to the policy of keeping Britain "at the heart of Europe". This means ratifying Maastricht. unless the French veto it. The government is engaged in a doubly heroic endeavour. If it fails, so too do the prime minister and the chancellor. No wonder they have come out fighting.

### Not at all costs

NOBODY SHOULD think that last week's outline debt accord between Brazil and its leading creditor banks means the country has surmounted its foreign debt problem. The risk that the outline deal will never be completed is default would still be possible.

Things are not totally bleak. The agreement might strengthen the position of Brazil's relatively competent economic team. The government is also publicly optimistic that its tax reform - essential to the accord's viability - will pass through Congress this year. Yet in no other country embarking on a Brady agreement has economic reform been so prone to reversal: in no other country has inflation been so high and the government's control over its finances so weak; and nowhere else has the government's hold on power been

Brazil cannot boast a record of fulfilling its debt commitments: its 1988 pre-Brady restructuring agreement lasted for less than a year. A "Brady accord" is different from previous restructurings. Under this approach, most debt is converted into marketable bonds. Once these bonds have been sold into hundreds of portfolios, any future restructuring would make the current effort, hard as it is look easy. Since the immediate cash benefits are modest, the main

value of the Brady deal to Brazil would be improved access to external market finance. That access could be shut off quickly if things went wrong after the deal is completed. If so, the deal could make things worse, not better. While the banks may see

short-term gains - the agreement should allow them to write back provisions and leave them with more readily marketable securities, instead of loans - a subsequent failure would hurt their portfolios, too. A possible knock-on effect would be a reduction in the value of their assets in other Brady countries.

Successful implementation of this package will almost certainly require support from the international Monetary Fund and the World Bank. But Brazil's current IMF standby programme has missed its first quarter targets and looks likely to miss its second

Both institutions are likely to come under political pressure not least from a US administration that would like to claim it has solved the debt crisis - to back the deal. If the fundamental economic case for supporting Brazil is weak, however, they should not yield.

This outline deal should not be completed at all costs. A deal that ultimately collapses would be worse than reaching no deal at all.

t is a curious fact that at this time of year Marks and Spencer's store in Boulevard Haussmann, in the heart of Paris, sells more muffins

than all its 280 UK stores combined. Other quintessentially British products, such as crumpets, ples and sliced white bread, as well as les slips, les boxer-shorts and les twin-sets en lambswool, also "just walk out the door" - as retailers are fond of saying - helping to ... ing store in M and S with annual sales of more than £80m.

After 17 years of experimentation, M and 5's 18 stores in four countries in mainland Europe are conspicuously coming good, vindicating the company's decision to expand its business overseas and prompting a further increase in its investment programme.

At this week's annual meeting, M and S's directors will no doubt highlight the strong performance of its European operations, which, in spite of heavy opening costs, increased pre-tax profits 13 per cent to \$23m last year on sales of £193.7m. They will also point out the poten-tial they still see in mainland Europe, and their target of opening

another 20 or so stores by 1995.

M and S aims to build its European sales to £1bn in Europe by the end of the decade, producing profits in excess of £100m. Although this will still represent a small proportion of its total business it will be a crucial element in sustaining its growth momentum. "We simply see aster sales growth overseas than in the UK," says Mr Nigel Colne, the board director in charge of European operations.

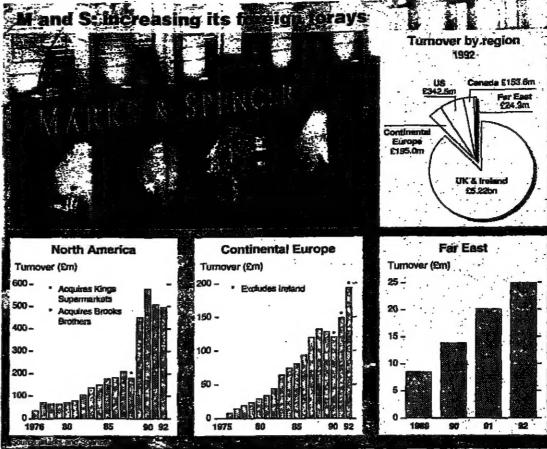
M and S's success at expanding in Europe and the Far East - where it runs four highly profitable stores in Hong Kong - contrasts sharply with its experience in North Amer-lca. Its three Canadian businesses, acquired in the 1970s, have lost C\$50m (£22m) over the past four years and are now being severely pruned. Its two US companies Kings Supermarkets and the Brooks Brothers clothing chain, which between them cost it \$866m have as yet - failed to produce a

M and S's varied international forays therefore provide a good illustration of the possibilities and pitfalls of expanding a retailing business overseas - a task that an increasing number of UK retailers are attempting in the face of saturated home markets and the slowly evolving reality of the single Euro-

UK retailers need few lessons in how difficult it can be to follow the management maxim of the moment, think globally, act locally". Over the past decade, scores of UK retailincluding Dixons, John Menzies and Sock Shop, have bought businesses in the US, having been seduced by the seemingly similar business culture and language. In 1980-88, UK retailers accounted for almost 60 per cent of the \$14.8bn invested by foreign companies in the US retail sector. With a few exceptions, these investments have produced dismal results.

conditions for all retailers in North America have checked the progress of many UK companies. But there is also a more general management lesson to be drawn from their collective experience: that it is exceptionally hard to make overseas retail acquisitions work, especially when they are more than 3,000 miles away. Organic expansion in nearby countries - often facilitated by joint ventures or franchises - can be a far safer, if less M and S is stepping up its international expansion, writes John Thornhill

# A European spark for Marks



spectacular, route to successful

M and S is certainly now convinced of this. With almost no debt and a triple-A credit rating it would be easy for the company to gear up to make a big acquisition in Europe assuming one could be found. But so far at least it has chosen not to. "I strongly believe in our current strategy of growing the business on an organic site-by-site basis. It may be relatively slower but it does enable us to learn as we go, to limit our mistakes and have a more profitable business at the end of the day," says Mr Colne.

Yet it has taken M and S a long time to be persuaded by its own success. M and S opened three stores in Europe – in Paris, Brus-sels and Lyons – in 1975. This early involvement, says Mr Colne, owed more to gut feel than science. "In the early 1970s, the then chairman, Lord Sieff, instinctively thought that we ought to test ourselves

The European stores initially encountered many problems: their products were panned for their high prices and poor style, and some of their trading policies - such as accepting returns of ill-fitting clothes - were simply not understood by customers. The absence of fitting rooms particularly rankled the French, who insisted on trying on goods before they bought them even if it meant stripping down to their bras on the salesfloors. M and S was forced to install

Most French retail outlets are either bazaars or boutiques; M and S is neither. It took shoppers a long time to understand what the company was all about. "Our reputation for quality and value went before us in the UK as a result of our 100-year history. Here, we have had to earn it." says Mr Jim McDonald, manager of the Boulevard Haussmann

s a result of the initially poor investment returns from Europe, the head nifice's attention wandered across the Atlantic in the 1980s. But by the end of the decade, frustrated by the vaga-ries of the US marketplace, and with the European business beginning to post significant sales improvements, the board decided to make a greater commitment to mainland Europe.

accelerated. In a two-month period at the end of last year, M and S opened five new stores in mainland Europe, in Seville, Nantes, Toulouse Amsterdam and Liège, and completed a big extension. In the previous 15 years, M and S had opened just seven.

Most of the outlets it has opened are wholly owned, but this policy is adapted to meet the needs of specific markets. For example, in 1989, M and S concluded a 60:40 joint ven-

ture agreement with Cortafiel, one of Spain's largest retailers. This led to the opening of one M and S store in Madrid and another in Seville

Cortesiel, which runs its own fashion chains and a clothes manufacturing business, had a deep knowledge of the fast-moving but relatively under developed Spanish retail sector. M and Schas also been rapidly

expanding its network of franch in small markets which do not justify the full M and S "treatment". The company has built up a franchise network in 17 countries, from the Bahamas to Norway, from Israel to Singapore with almost no capital

investment on its part.
Further franchising opportunities exist in eastern Europe and the Far East. One of the great advantages of having stores in Hong Keng, according to Mr Colin Buchanan, Far East manager, is to keep an eye on the "huge demographic and economic shift" that is taking place towards we were trading in mainland China in five years." he says.

But in the immediate future the priority markets are France and Spain. Another Paris store in the Rue de Rivoli is planned, while Valencia. Nice, Rouen and Marseilles are also on the opening list.

Further out, the company believes there will still be great

scope for growth in Europe. The total clothing markets in the UK. France, Spain, Holland and Belgium

- where M and S runs its whollyowned stores - are worth about \$700n. The German and Italian markets combined are worth the

and S stresses that the creeping internationalisation of the business does not just bring in UK operations. By moving abroad, its management expertise improves, its retailing skills are more rigorously tested, and its buying knowledge becomes more sophisticated. M and S says the investment returns from Europe are comparable to those obtained in the UK although the finencial modifies.

although the financial profile of its continental operations is very different. Prices are up to 25 per cent bigher than in the UK but then management and distribution costs are also greater. · Sales - intensities are lower

because of the lesser number of cus-tomers. M and S obtains sales per square foot in excess of 5500 in the UK - considerably higher than all but the best of its European stores. Its mainland European stores also act as a test hed for its latest fashions, as the seasons start slightly earlier than in the UK. New con-cepts, materials and styles are quickly assimilated into the central

buying information pool. But a vast mélange of commercial and cultural différences continues to make international retailing a demanding business; M and S readily admits it still has much to do to improve the way it communicates with customers.

The store's managers in Hong Kong were horrified to learn that the local Chinese were eating the pot pourt displayed in the stores, believing it must be some delicacy. Spanish customers discovered that brandy butter did not taste good on toest. The French did not appreciate Christmas puddings until they learnt they had to cook them. But successful as its European

operations have been, they have not yet fully benefited from what in the UK is M and S's greatest source of competitive advantage: its dominant size. M and S's purchasing power concentrated on a relatively narrow range of goods, its 15 per cent share of the clothing market, and a constant flow of 14m regular customers enable it to derive big economies of scale.

Although the European stores can feed off some of these strengths, they still lack the necessary support infrastructure to offer the full M and S catalogue of goods. In foods, for example, the company has not yet made the investment it needs to build a chilled distribution chain for its short shelf-life products.

But there are signs that M and S is close to reaching critical mass in Europe, enabling it to broaden its appeal and become a true mass market retailer. At present, M and S's gross profit margin in Europe is 10 percentage points higher than in the UK, partly as a result of the higher prices charged overseas and the different product mix the balance between sales of the higherfood is 60:40 in the UK; 90:10 in Europe.

"Our philosophy for the years ahead will be to drive down margins to increase volume," says Mr Coine. "I would like to think that in five years we will have far more customers and so be able to reduce prices. We will then be able to repeat the virtuous circle we achieved in the UK both of improving value and increasing market

### Samuel Brittan

### Debt workout dangers



analysis, in his speech on Friday, of the various deceptive quick fixes for getting around, or out of, the exchange rate mechanism (ERM) constraints should be read in full. It can be obtained

from HM Treasury Press Office, Parliament Street, London SW1P 3AG. Tel. 071-270 5238; Fax 270 5244. Mr Lamont is enough of a politician to know how much he is putting himself out on a limb and that the official Treasury would not hesitate to leave him as a scapegoat if it changed its mind about the appropriate policy regime.

I shall say nothing more about the ERM until after the Bundes bank council meeting on Thursday, and instead turn to a problem that could weaken the whole industrial world and, with it, debilitate the ex-Communist countries and the third world as well.

This is an aspect of the debt prob lem. It is often said that recovery is held back because people and businesses prefer, whenever they receive some cash, to reduce debt rather than buy more goods and services. The problem is acute in the US and Japan and therefore cannot be blamed on the ERM.

The nature of the threat is little understood. If it were just a question of people wanting to get their indebtedness down while incomes remain the same, before resuming normal purchases, it would not be the end of the world. Economic growth never has been and never will be an entirely smooth process. But it could be worse.

Let us take a closer look at the process of repaying debt. Is it just working off the excesses of the previous boom? It would be easy to understand the need for it if there had been great physical mal-investprocesses - the extreme example being the obsolescent and polluting plants in the ex-Communist states. I have to pinch myself, however. to see excess debt in a similar light

- why people should be unemployed and capacity unused because of entries on balance sheets. A possible reason is moral hazard. If imprudent, or even just unlucky. borrowers are always to be bailed out by official policy, they would have every incentive to do it again, which can hardly be good for the long-run development of the economy. The purpose of leaving people to work through their own debt is to teach them that there is no such thing as free or riskless credit. There is, however, a precise way in which the debt workouts can go

The boy who cried wolf should have drawn a sketch so his family would have known what to look for

too far. One person's spending is another person's income. If I cut down my spending too far, your income is reduced and with it your ability to service your debt, which in turn will hit your expenditure. A cumulative downward process which might be called the debt renayment multiplier - is thus a possibility. If it were to happen, it would not necessarily show up fully in the savings ratio, as incomes would be reduced as well - a subtlety that is usually missed.

We are talking of dangers not actualities. There is little sign of such a downward multiplier in operation. There are plenty of cushions which normally prevent it. Moreover, it is normal at the end of every recession for some people to fear that the economy is entering a and look out for wolves,

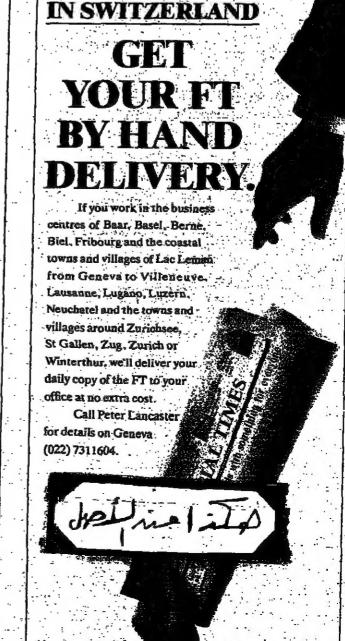
it is about to turn upwards. The OECD Economic Outlook showed that gross national product (GNP) in the main industrial countries has risen by an estimated 5 per cent per annum in nominal terms in the first half of 1992. By no standards is this a cumulative downward spiral. Those who think otherwise still

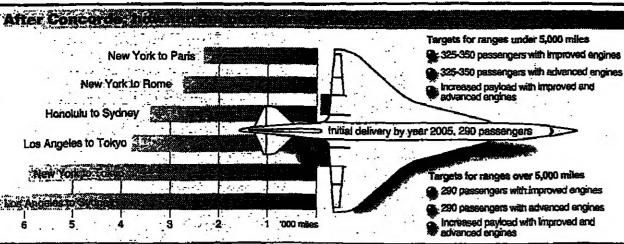
suffer from the delusion that governments have the power to manage demand in real terms, irrespective of what happens to prices and pay. Even after Britain's anti-inflation success, the underlying RPI has still only moved down to 4.8 per cent per annum - enough to take up nearly all of a normal 5 per cent increase in spending, leaving little room for real growth.

It is always wise to be prepared.

The boy who was disbelieved because he cried "wolf" too often would have been better employed drawing a sketch so that his family would have known what to look out for. What is lacking among the leaders of the Group of Seven is a recognition of their responsibility to maintain - but not to inflate world demand in nominal terms. This may not be easy, if people react perversely to such stimuli by saving all the more. There could in the end be a need for New Deal strategies which might guarantee certain kinds of credit.

But we are far from being there yet. So far, the G7 leaders have not even recognised their responsibility for managing nominal demand jointly. The ones who talk about demand and growth - mainly the Americans - forget the little word 'nominal" and still believe that they can influence directly the real economy. But many of the others do not seem to recognise any responsibility for demand management and have thrown out the Keynesian baby with the bathwater. We all





### Old age threatens to clip Concorde's wings

The next generation of supersonic airliners will require an unprecedented level of international co-operation, says Paul Betts

airport, mechanics could be seen examining the rudder of a Concorde sticking out of the big hangar known as Technical Block B. The rudders of each of BA's

seven Concordes, the flagships of the airline's fleet, are nor-mally inspected after every 50 to 100 flights. But BA is now subjecting this section of the aircraft to minute checks after every five flights. This follows a series of incidents in which parts of the rudder have fallen off in supersonic flight, although none represented a serious risk to the aircraft.

For BA, the UK airworthiness and air accident authorities, and the manufacturers, Concorde's rudder problems have been an embarrassment. They have also raised questions on how much longer the world's only supersonic passenger jet, which entered regular service with BA and Air France more than 15 years ago, can continue flying and whether a new generation of supersonic aircraft will eventu-

ally be developed to replace it. Since 1989, three BA Concordes have lost large sections of their rudders in mid-flight, most recently on March 21, when a New York-bound Concorde lost most of the upper section of its two-plece rudder while flying at 56,000 ft at Mach 2, or roughly 1,300 mph.

In all three cases, the aircraft, which yesterday comhours in commercial service with BA, flew safely to its destination. "It's not critical, but the fact it happened more than once makes it serious." says Mr Alistair Cumming, BA's director of engineering.

To leave nothing to chance, BA has now asked British Aerospace, responsible for the original rudder design, to manufacture a new series of rudders for its Concordes for a total cost of about 55m.

Although the new equipment is expected to resolve the fault.

rom the British Air- the rudder failures are signs ways headquarters at that the aircraft is showing its London's Heathrow age. BA said the supersonic hours flown by Concorde now totalled more than the supersonic flying hours completed by the combined air forces of the west since the introduction of supersonic combat aircraft. And unlike subsonic jets, Con-corde has had to operate in more spressful conditions with the aircraft subjected to more intensive and frequent changes of temperature when flying at Mach 2.

Each Concorde is at present cleared by the UK and French airworthiness authorities to fly a total of about 7,000 supersonic flights. BA's supersonic jets have already completed about 4,000 flights and are expected to reach their current operational limit by 1998-99. BA and Air France, together

with the airand Snecma), are working to

try to extend Concorde's life

Concorde until 2010. This will require design adjustments and improve-ments on which the airlines and the manufacturers are already working. Mr Cumming said BA would be fitting one of its operational aircraft with pleted 250,000 supersonic flying instruments to measure the stress on the airfraine structures to provide the information to tackle any structural weaknesses and potential areas

of distress. "It could involve lots of small things like changing the radius of certain components facing high stress or polishing a surface," he said. On older subsonic aircraft, airlines and manufacturers usually wait until a crack appears on the airframe before taking action. But Mr Cumming said it would

clearly be unwise to adopt the

same procedure for Concords. The airlines expect the cost of improving the Concorde structure to be relatively small since adjustments would be phased in during the already exhaustive maintenance programme of each aircraft. Averaged out over a year, every Concorde undergoes 22 hours of maintenance for every one hour of flight compared with seven hours of maintenance for

Boeing 747 jumbo. Although it was hit last year by the slump in airline traffic and the general squeeze on first class travel, Concorde in recent years has operated profitably for BA and Air France. Apart from regular transatian-tic services, the two airlines have also developed successful charter businesses for their supersonic jet. But for all its technical

achievements, Concorde turers (BAe and The challenge is to remains an eco-Aerospatiale) keep Concorde until nomic failure. and the engine a second-generation and Air France (Rolls-Royce supersonic airliner make on their

supersonic is ready operations ∎include no depreciation into the next century. The air-charge on the aircraft's £1.2bn lines hope to stretch the life of development cost. And if the cost of keeping Concorde in service should suddenly jump and huge sums be necessary to refurbish and re-equip the air-

> to re-examine the economics of their Concorde operations. Apart from modifications to stretch the aircraft's working life, spare parts are likely to pose another big problem. Scores of different small components from a myriad of suppliers will have to be manufactured, redesigned or replaced. Careful planning, according to Mr Cumming, will be critical to avoid the risk of spares running short and eventually

craft, the airlines would have.

grounding the aircraft. The challenge for the manufacturers and the airlines is to keep Concorde flying until a second-generation supersonic airliner is ready to replace it.

already begun preliminary studies on developing a super-sonic aircraft about three times the size of Concorde. It

would carry up to 300 passen-

gers, compared with the 100

carried by Concorde, at Mach 2

over longer ranges. But such an aircraft is unlikely to be developed before 2005-2010 at the earliest. It is expected to cost more than \$10bn at 1992 prices and will need an unprecedented amount of international co-operation.

All leading airframe and engine companies agree to co-operate. "It would be very difficult for one company or one country to develop such an aircraft because of the big market and financial risks involved," said Mr Mike Henderson, head of the supersonic research team at Boeing.

The project faces a series of daunting questions: can international co-operation on such a scale work; will the manufacturers overcome hugely com-plex environmental issues to ensure no perceptible sonic boom over populated areas and no significant ozone depletion; can such an aircraft ultimately

We are going to have to demonstrate that the aircraft is environmentally safe and show it is not just a toy for the rich," Mr Henderson said. The industry is relatively

confident it can overcome all the technical challenges of developing a new supersonic airliner. But Boeing research has shown that passengers appear willing to pay only relatively modest surcharges for supersonic flights of 10-20 per cent over subsonic fares. "Concorde was a technologi-

cal success but also a good example of something pos but not very useful for the market," Mr Henderson said.

The message is clear. The industry is unlikely to develop another technological showpiece that makes little commercial sense. Instead, the market will decide when and if a new supersonic airliner is built.

### LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Proposals for protected trade

are confused and misleading

#### Economic options not so dismal

From Mr Walter Grey.
Sir, Your "Unhappily, all options are dismal" advice to economic policymakers ("A beleaguered government", July | (Personal View, July 8). While 7) itself erred, it seemed to me, on the dismal side.

First, rather than "push for the earliest possible move to from the coercive policies (European) economic and monetary union with a (European) central bank that would look at the European economy as a whole, and not just one region of it", the government should immediately institute an independent Bank of England to manage the nation's money in maintaining high tariff walls place of, and more prudently than, vote-seeking politicians (ie itself). This is on the principle that sound monetary (and economic) management, like charity, begins at home. And it would pay the government, and the rest of us, hands down. If nothing else, it would bring interest rates down sooner and faster than otherwise.

Of course, the government should also drop its Emu opt-out clause, if only to retrieve London's (or other British contenders') otherwise lost chance of landing the valuable (not to say invaluable) price of providing that European central

In addition, besides continu-ing to resist any idea of a ster-ling devaluation, within or outside the EC, with might and main, the government should take advantage of its current EC presidency to press for a general realignment centred, as in present circumstances it clearly must be, on a revaluation of the D-Mark (and so only indirectly constituting a deval-uation of other ERM currencies, sterling included). Such a move would not only help Germany's own post-unification struggle against inflation, which is holding the ERM in its thrall, but also relieve some of the pressure on (and allow more room for manoeuvre to) Germany's ERM partners and

Both options are opportunities too good to be missed at this critical juncture. Walter Grey, 12 Arden Road Finchiey, London N3 3AN

plants in too many countries will be incurred by local consumers who must face high prices in order to sustain local production.

Hence, to pretend that the gains from such investment are tangible, the harm inflicted on the local economy investment-inviting import quantity restrictions are somehow economically justifiable designed to attract that investwhile protectionism is not is fatuous. The outcome is the Inward investment is to be same except for the fact that welcomed, but tariff-jumping monopoly profits accrue to a foreign firm rather than to operations are no better than local shareholders. the protected local firms that

they replace. Governments can Prof Dore might also want to reflect on whether the disap-pearance of the British motoronly coerce firms to invest by against imports. Without such cycle industry in the space of a a protected market, they are decade is a testament to "the bankruptcy of the comparative unlikely to be willing to incur the higher costs of producing advantage paradigm", or a trib-Stephen Thomsen, As with old-fashioned protec tionism, Prof Dore's neo-mercantilist policies fall to address the likely effect on The Royal Institute of Interna-

tional Affairs. Chatham House, 10 St James's Square, London SW1Y 4LE

From Mr Geoffrey E Wood. Sir. His being a professor of political science at MIT does not ensure that Prof Dore has a firm grasp of basic economics. He concluded his article by

which owns 99.4 per cent of Air

mies of scale from too many ( asserting that the case for free trade requires the "... assump tions of competitive markets and undistorted prices

Every discussion of free trade, from David Ricardo to Paul Samuelson (to note only the most famous) has shown that mutually beneficial trade requires only differences in prices. Why the prices differ, and how these prices were determined is, so far as the trade discussion goes, immate-

Further, Prof Dore's assertion that the benefits in the form of lower prices which accrue to the consumer from free trade would be "mopped up in unemployment pay" rests of course on the assumption that when workers have became unemployed in one activity - any activity - they are totally unemployable for ever more. That is not likely.

Prof Dore's arguments are as misleading as his recommenda-tions would be damaging. Geoffrey E Wood,

City University Business

School Probisher Crescent, Barbican Centre, London EC2Y 8HB

When Sky's

#### No massive state support for Air France

world economic welfare when

all countries are playing the

same game. As more and more

countries compete for the same

efficient Japanese factories, the

only beneficiaries are likely to

be the Japanese firms them-

selves. The greater costs of pro-

duction from foregone econo-

From Mr Stephen Thomsen.

Sir. Prof Ronald Dore's pre-

scriptions confuse the benefits

of inward investment with the

disadvantages of trade barriers

ment is often more obscure.

locally.

From Mr Prançois Eldin.

Sir, We were most surprised to read a letter from Mr Thomas McDonogh (June 24), chairman of an Irish transport users' committee, stating, quite erroneously, that Air France was one of roughly seven airlines in Europe that are "technically bankrupt". He also added, erroneously, that "these national airlines receive massive support from the various governments, a support which is denied to the private sector" All of this is nonsense. Air France is in no way technically bankrupt. Neither does it

receive more support from the French government that any private company would receive from its shareholders.

Last year, the French state,

mications,

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France shares, decided to par-ticipate in a FFr2bn (£205m) increase of Air France capital as a shareholder's contribution to an Air France Group threeyear investment programme worth FFr40bn. This capital increase was reviewed in depth by the European Commission,

the normal contribution of a shareholder to the development of his company. FT readers will, I am sure, be interested to know that Air France had not received a capital injection from its shareholders since 1985. On the contrary, since 1984, the airline

which ruled that it was not

state aid. In other words, it is

shareholders in dividends on profits. François Eldin. vice-president corporate commu-

has paid out FFribn to its

the limit From Mr P J R Baker.

Sir, Mr Richard Brookes euphoria (Letters, July 7) over the recent up-beat performance of BSkyB perhaps needs to be tempered with the realisation that pay TV is likely to be a loser (in the short-term).

I purchased Sky TV earlier this year to watch the cricket world cup and consequently pay a monthly fee. The introduction of a further fee to allow me to watch (second rate) Premier League football matches and the other sports I already receive will not be countenanced.

At the end of my existing agreement in 12 months' time my aerial will be returned. Speaking to other subscribers, that is a common reaction. PJR Baker, 17 Arne Grove, Horley

### *)BSERVER*

### Failing a German test

■ The House of Warburg. which has been advising Aachener und Münchener Beteiligungs - Germany's second largest insurance company – in its battle with Assurances Générales dé France is putting a brave face on its client's sudden rapprochement with the French insurance giant.

"A compromise rather than a climbdown," is how Warburg's Piers von Simson describes last week's outbreak of peace between the two feuding insurers. However, it is yet another reminder of how difficult it is for even a top London merchant bank to win its sours overseas.

For a start, banks like Warburg are making a living in Germany defending what would be indefensible at home. They are good at advising their Continental clients on relative values, but twisting arms behind Germany's corporate scenes is a different task altogether. Hence, it is hard to measure their effectiveness in the recent spate of German bid battles.

By contrast, there is little doubt that the end of hostilities is a defeat for AMB's fiery chief executive. Wolf-Dieter Baumgartl. He had staked a great deal of his credibility on fending off the French. Like Horst Urban, whose robust defence of Continental Tyre against the Italians cost him his job, Baumgartl's days at the top of AMB seem to be numbered.

#### Stopwatch

■ André Agassi, the 22-year-old tennis champion, was wearing a wrist watch when he won Wimbledon the other day, and it was almost

certainly made by Ebel, the Swiss watchmaker which has been sponsoring him for four

So why isn't Ebel nighlighting the fact in its advertising campaign? An advert in last Friday's Independent focused on Agassi's victory in an obscure Frankfurt tennis tournament in November 1990 and mentioned a few other events which Agassi had failed to win. But no word of the most famous victory of all. Perhaps Ebel's advertising agency should be sent to the

#### Needled

■ Tales abound of how Mohamed Boudiaf, the Algerian president who was inated last month, lived a far more austere life than his predecessor Chadli

When Boudiaf moved into the president's residence in January he was surprised to discover that he had inherited the services of one Frances Smalto, an Italian fashion designer. Would the new president be requiring Smalto's

services? Boudiaf declined, pointing out that his old suits, which he had worn for years, would continue to do the job nicely.

Starting up sfossés, one of the bibles

■ Georges Ghosn, the latest mogul to strut the French media stage, is a relatively unknown quantity even in France. He first popped up three years ago when he and his partners bought La Côte of the French stockmarket. Now he has acquired the loss-making La Tribune de l'Expansion, the country's second biggest financial daily.

A 38-year-old Lebanese-born



Where can you buy an EC directive on a Sunday?"

journalist, Ghosn came to Paris to study and soon publishing various newsletters specialising in Africa and the Arab world, for groups such as Kol-Al-Arab or Panarab Medias. For a while he published a newsletter in association with the Middle East Economic Digest.

His latest move is his most ambitious to date. He plans to merge La Tribune with La Côte, which publishes all the stock market prices, and produce a full economic and financial dally. But making it financially viable will not be easy, as the demise of La Tribune has indicated. And it might be difficult to merge the conservative editorial style

#### Polished off

■ Will the Midland Bank's new owners really be prepared to take the axe to the Midland's

aggressive style of La Tribune.

dead wood? East Devon Polishers, a firm of French polishers, has already registered its concern. "These premises contain some of the most spectacular

examples of fine British architecture and special woods still in existence", says East Devon in a letter to the Hongkong Bank's finance director. If the hatchet-men are let loose on Midland's old offices, some of the woods will "never be seen again owing to rain forest devastation and infestation of European

East Devon hopes that the Hongkong Bank will polish up its architectural strategy and spare Midland's dead wood. "We are certain, having worked in many banks, that the historic values and warmth of the older banks have a great appeal to the general public."

#### Pints of law

Who says a policeman's lot is not a happy one? A member of North Yorkshire constabulary admitted downing 7½ pints of strong beer while investigating allegations of after-hours drinking at the Huntsman Inn at Drax. During a lengthy undercover operation, he and his two colleagues had consumed a total of 38 pints of ale and an unspecified number of whisky chasers, at a cost to the taxpayer of more than £50. Still, the public purse has emerged with a profit. The pub's licensee was fined £1,200

#### Hot potatoe

Senator Al Gore, who is to be Democrat Bill Clinton's running mate for the US presidency, is not seeking the traditional televised debate with his Republican opposite number, vice-president Dan

and ordered to pay £190 costs.

Instead, Gore has challenged Quayle to a televised spelling

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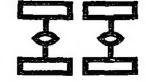
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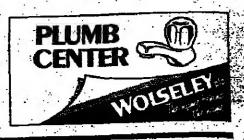
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### FINANCIAL TIMES

Monday July 13 1992





After the famine: A food package donated by the UN is carried away at the end of a 71-day siege of a Sarajevo suburb

### UN ends 71-day Serbian siege

AID WORKERS escorted by UN armoured vehicles took a convoy of relief supplies to the most devastated area of Sarajevo yesterday for the first time since a 71day siege of the district began. Reuter reports from Sarajevo.

But elsewhere in Bosnia-Hercegovina. Serb forces tightened a ring of steel around the eastern town of Gorazde, seized key roads in the northeast and fought fierce battles in the north and south-

In a breakthrough for international relief efforts, 12 trucks flanked by eight white UN armoured vehicles delivered 120 tornes of supplies in Dobrinia.

To subdued applause from hungry residents, who flocked on to the streets, they unloaded the food and other supplies at two distribution centres before a three-hour local truce ran out and sniper fire resumed.

This is what the United Nations and the UNHCR (the UN High Commissioner for Refugees] has been aiming for after getting aid to more accessible places.

said Mr Peter Kessler, spokesman for UNHCR in Sarajevo.

There has been very heavy lighting, shooting and shelling there all the time. People there have been living on grass," he

Over 7,500 people have been killed in Bosnia since the Serbs rose up against independence from Yugoslavia and won control of more than 60 per cent of Bosnian territory from the majority Moslems and Croats.

The UNHCR estimates 380,000 people are trapped in Sarajevo with little food, water or power. More than 1,000 tonnes of aid have been flown to the capital by an international airlift but hardly any had reached Dobrinja and

other embattled districts. Dobrinja, a community of apartment blocks used as the media village in the Sarajevo Winter Olympics in 1984, bore the marks of a 71-day siege by Serb irregular forces. From 30,000 to 45,000 people are estimated to be

Hardly a building is not pock-

marked. Mortar bombs have left craters in the roads, shattered glass lies everywhere and spent bullet cartridges lie in the road. Some houses have been almost completely destroyed.

"Seventy people have been killed in the siege here and 1,500 wounded," a doctor at a makeshift hospital told reporters who visited Dobrinja with the convoy. Street battles broke out in Gor-

azde at the weekend and people were trapped with little food. Amoutations were being carried out without anaesthetic according to amateur radio operators.

Meanwhile, Mr James Baker, US secretary of state, called the situation in Yugoslavia "a quagmire", again suggesting it would be a mistake to be drawn into the conflict in the Balkans.

President George Bush even suggested that Bosnia was "a hiccup" not remotely related to the security interests of the United

But despite Mr Baker's foreboding and Mr Bush's detachment, the upshot of the Conference on Security and Co-operation in Europe is that the US and its allies moved a step closer to involvement in the conflict.

Nato decided on Friday to send a naval force to the Adriatic to monitor the trade blockade of the federation of Serbia and Montenegro, which is all that remains of Yugoslavia. The Western European Union, acting in tandem with Nato, took a similar deci-

It may require another UN Security Council resolution, but the warships under normal rules of engagement would fire back if

Mr Bush acknowledged that US warships attached to two carrier task forces in the Mediterranean

routinely venture into the Adriatic, alongside Yugoslavia. Asked if US ships would partic-

ipate in Nato's monitoring oper-ation, Mr Baker replied: "Yes." Mr Brent Scowcroft, the president's assistant for national security, said when asked if the US would play a role: "Of course.

We're a part of Nato."

### THE LEX COLUMN

### Welcome signs of life

world's big drug stocks could just be on the turn. Since the peak in early January, their falls have been precipi-tous. But since April, Merck and SmithKline Beecham have outperformed their local markets by 9 per cent and 20 per cent respectively. In the course of last week Giaxo outper-formed the London market by 8 per cent. Wellcome, the one stock which crucially stands to gain from all this, has outperformed by some 3 per cent since the start of the month.

Given the market power wielded by the advisers to the Wellcome sale, this change of sentiment might not be wholly fortuitous. But it also makes sense in a wider context. Drug stocks on both sides of the Atlantic were driven up last year in a classic recess-ionary switch out of cyclicals. Early this year they duly came down again as the markets scented economic recovery. In the UK, market sentiment is now back in the doldrums, while in the US it has been somewhat dented by the latest discount rate cut. The Wellcome tender closes at the end of next week. At this rate, the vendors could just get lucky.

There is another strand of thinking which might assist Wellcome. In terms of drug pricing, the 1990s could prove not merely non-inflationary but posi-tively deflationary. In such a world, producing me-too drugs in quantities is not enough, since they will get ham-

mered on price. What is needed is genuinely innovative products which can be charged for. Wellcome has such products in the pipeline, as do Glaxo, Merck and SmithKline Beecham. Having been stampeded indiscriminately into drug stocks before, the market this time round is showing signs of being more

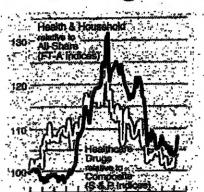
#### UK savings market

Talk last week of UK banks and building societies being forced to raise their mortgage rates in response to the government's aggressive marketing of National Savings is probably exagger-ated. Nevertheless, the problem is not one which the societies or retail-orien-National can entirely afford to ignore. The prospect of National Savings doubling its intake from the retail market this year will have little impact on the outstanding stock of deposits, but it will make a difference to flows of new

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building societies and Abbey National last year amounted to some £20bn, including credited interest. The comparable figure for National Savings was £2bn, so it must be aiming for a significant increase in market share. On top of that TSB has motives of its own to bid aggressively for retail savers' funds. It says it wants to become less dependent on wholesale money market funding and to position itself better in the retail market for the lon-

All this matters less in an economy where the housing market is depressed and the savings rate is at its highest for 10 years. Since there is no loan volume to chase, lenders can afford to preserve their margins at the expense of forgoing some new depos-its. Nor is the broader clearing bank market particularly affected by the National Savings campaign. The large clearers are much more interested in developing fee income than raising deposits to expand their loan books.

The picture will look rather different when base rates do finally resume their fall. One cannot assume that will produce an instantaneous economic recovery which will wipe out the PSBR. There will thus be a continuing need for the National Savings marketing campaign - with the attendant probability that its rates will become something of a benchmark for savings products. Mortgage lenders would then face a double sources on their margins: through competition for loan rates.

The consequence may well be that mortgage rates will eventually come down much more slowly than the government would like or than the state of the housing market would dictate. Had the authorities succeeded 10 days ago in trimming base rates by a quar-

ter point, for example, mortgage rates would probably not have budged.

To say gold has staged something of a rally in the last few weeks is proba-bly stretching the point. In dollar terms, admittedly, the metal is now roughly 5 per cent higher than its 1992 intra day low in mid May. But in just about any other major currency recent performance has at best been flat.
Even so, relative stability is almost

cause for gold bug celebration after the disappointments of the last decade in sterling terms gold is now, trading at almost exactly the same. price as 10 years ago. Last week's spectacular sale of 20m ounces of all ver by the National Commercial Bank of Jeg-dah provoked perverse glee among gold enthusiasts on the grounds that they had been spared, and that perhaps there is no gold left to dump in the Arab bank's vaults. More signifi-cantly, though, the bulls have been drawing comfort from the market's ability to absorb pressure from persistent producer forward selling and from operations like the 200 tonne sale by the Belgian central bank earlier this year. Previous forecasts of \$400 per ounce by the year-end have been trimmed back - but predictions of around \$380 per ounce (against Priday night's close of \$348.46) now appear to carry greater conviction.

Encouragement can obviously be derived from the dollar's weakness and the negative turn in short-term US real interest rates after last week's discount rate cut, though positive rates elsewhere and the absence of retail investment demand in Europe somewhat spoil that particular story. It is also possible that the bears underestimate buying demand from southeast Asia, India and the Middle East where gold has not yet lost its gitter.

That said, the arguments against the metal pushing decisively up through its recent trading range seem more persuasive. There may have been a good technical explanation for the Belgians lightening their load, but the market has become twitchy that central benkers' hoards - equivalent have an increasingly unsettling effect. It may only be a matter of time, the pessimists say, before the growing practice of selling call options turns into physical sales. If that proves to be so, it will take more than the closure of a few marginal mines to rekindle

### Major rules out devaluation by UK

### By Philip Stephens, Political Editor

THE UK government's determination to maintain its economic strategy was underlined by Mr John Major at the weekend as he gave unequivocal backing to the chancellor of the exchequer's refusal to consider a devaluation

In an acerbic side-swipe against

Lady Thatcher, the prime minister also dismissed as "fantasy fears" the warnings from Tory Euro-sceptics that the Maastricht Treaty on European union would create a centralist European state. Some Tory MPs, however, con-

exchange rate mechanism was jeopardising hopes of economic Mr Major's insistence that he would not be panicked into moves to "kick-start" the econ-

tinued to voice fears that ster-

omy came as senior Conservatives acted to quell the latest outbreak of dissent among a small

group of the party's MPs. Sir Marcus Fox, chairman of the influential 1922 Committee of Conservative MPs, rejected complaints that the composition of the new Commons select committees to be established this week had been "fixed" by party managers to exclude those who were ready to challenge the govern-

Mr Nicholas Winterton, the controversial Tory former chairman of the select committee on health, will tonight seek backing from fellow Tory MPs to overturn his exclusion from the new com-

His complaint, supported by some colleagues and a number of Labour MPs, is expected to ling's place in the European prompt angry exchanges in the Commons, but most MPs are likely to back the view that Mr Winterton and several other longserving committee members

advisers on assessing assets. Before this government move

ENI had been planning to sell

shares this autumn in Agip, the

oil exploration subsidiary, and

The government is clearly anx-

lous to obtain as much revenue

as possible from privatisation

within this budgetary year. But

experts yesterday warned that

the technical aspects were com-

plex, while bankers argued the

domestic market was unused to

absorbing large share offerings.

Snam, its gas company.

should stand down. Mr Major's decision to put the

full weight of his authority behind Mr Norman Lamont's economic strategy was designed to quash any suggestion that the Treasury's hard line against devaluation was being questioned in 10 Downing Street. Several Conservative MPs

repeated calls for the government to consider a sterling realignment in the ERM unless the pace of economic recovery picked up.

Mr John Townend, chairman of the Conservative backbench finance committee, was among those predicting that if the economy was not showing signs of recovery by the beginning of next year, there would be intense pressure for devaluation.

Mr Townend said on BBC television that a majority of Tory MPs would now favour a general ERM realignment, involving a realignment of the D-Mark against all currencies. Mr Major acknowledged that

rapidly from recession, but insisted repeatedly in a newspaper interview that a devaluation would be counterproductive. As senior Whitehall officials

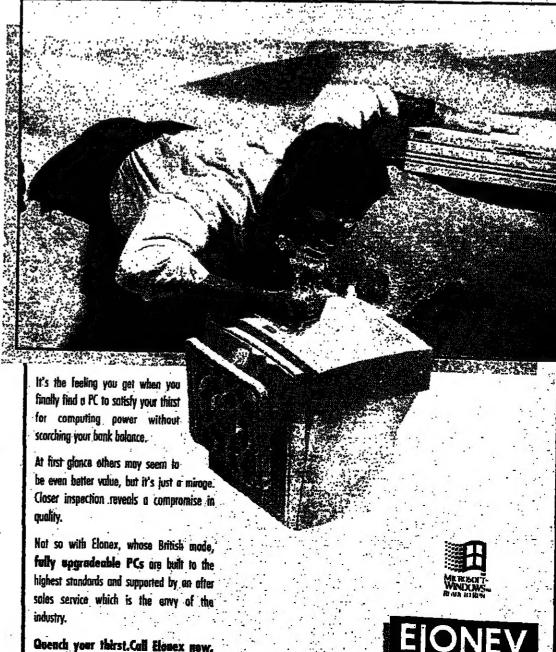
dismissed talk of a more general ERM realignment as "unrealistic", the prime minister said he was determined to put Britain in a position where the businessman, investor, saver and producer knew the government would not devalue. He was similarly forthright in

his defence of the Maastricht treaty, suggesting that the warnings of a federal Europe issued by Lady Thatcher and her Eurosceptic allies would do no more than "frighten the children".

Asked about the possibility of a Tory rebellion, he responded: "I have not come to trim and turn on policy. I set out that policy and I will pursue it."

Editorial comment, Page 8

# ELONEXHILARATION



### Italian public sector

#### Continued from Page 1

of IRI, ENI, ENEL and INA; the other to handle its existing financlal holdings in BNL, the state commercial bank and in IMI, the

financial group. One of the main issues will be the capitalisation of the new companies and how their existing debts are treated. IRI has no formai capital, merely a small trust fund, while its state backed debts amount to over L55,000bn. In conjunction with the Bank of Italy, the Treasury is expected to

### Clinton thrives employ at least two outside

Continued from Page 1 said the remarks suggested "a

level of insensitivity". "If you have people working around you ... who are black, who are brown, who are Asian, who are female, you don't make mistakes like that," she said.

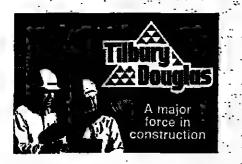
Mr Jackson and his allies have complained that the Clinton campaign has targeted white middle class voters at the expense of poorer urban minorities, and needs to be more inclusive in its

But although opinion polls show less than exuberant support for Mr Clinton among the nation's black voters, his long experience in southern politics has helped him forge alliances with many black elected officials such as Mayor Maynard Jackson

John Lewis. Theses officials may be just as effective in winning Mr Clinton African-American votes, without requiring the extravagant homage that Mr Jackson regards as his due.

of Atlanta and Congressman

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### FINANCIAL TIMES COMPANIES & MARKETS

**GTHE FINANCIAL TIMES LIMITED 1992** 

Monday July 13 1992



#### INSIDE

#### Bramalea moves to shore up confidence

Bramalea, the debt-burdened developer controlled by Toronto's Brontman family, expects to withdraw from the North American industrial property market and retain only a handful of its Canadian office buildings as part of a last-ditch effort to maintain the confidence of its lenders:

Clinton worries bulls



When the Democratic party crowns Mr Bill Clin-ton (left) as its presidenton (len) as its president tal nominee, it is also likely to send a shiver of apprehension through an otherwise bullish US credit market. For anything that detracts from the chances of President George Bush being reelected will be taken badly by the bond market,

which still seems to assume a Bush victory and fears that inflation would be re-ignited by the kind of national investment programme being advocated by Mr Clinton, Page 14

### Provision by Rothschild Bank

Rothschild Bank, the Zurich-based private bank controlled by Britain's NM Rothschild & Sons, has dissolved its hidden reserves to make provision against possible loan losses. Sir Evelyn Rothschild, chairman of NM Rothschild, said the bank had decided to dissolve hidden reserves of SFr63.5m (\$46m) as a safety mea-

Bundesbank clears regulations The market for debt issued in D-Marks, long. shackled by cumbersome regulations, is at last catching up with comparable sectors. Page 13

A return to relationship banking



group, looks likely to become the latest UK company to refinance a complex losn facility arranged in the late 1980s with a simpler, relationship transaction. It is replacing a £250m (\$477m) multi-option facility with a revolving loan syndicated among a smaller group of relationship banks led by Barclays. Page 14

Market Statistics

Base leriding rates 21 Warnaged hand service FT-A World Indices Bask Page Money markets.

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Multibroat

Companies in this issue

British Airways Butte Mining Chevron Etonbrook Props

last week's lacklustre Group of

Seven economic summit in

Munich, it was the Interna-tional Monetary Fund. Mr Michel Camdessus, the

IMF's managing director, made

an unprecedented appearance at a G7 meeting to brief finance ministers about his

negotiations in Moscow on

Russia's economic reform pro-

gramme. The backing given by

the G7 communique to

co-operation between the IMF

and Russia showed how the big

industrial democracies have effectively subcontracted responsibility for helping Rus-

sia and other former Soviet

republics integrate into the

But is the IMF's high-profile

role in Russia such a good

thing? Is the fund itself the right organisation to deal with

Russia's problems? Could it be

that the western industrial

powers are overestimating its ability to keep Russia on track?

Is there a danger that it will be

overwhelmed by the huge diffi-

culties to be tackled in Russia

and emerge from the experi-

ence with its prestige and effectiveness diminished?

The failure of the Russian

government to achieve eco-

nomic policy goals set five

months ago must cast some

doubt on whether it will meet

the performance targets agreed

with Mr Camdessus just before

Recent research into the IMF

policies and operations over

the past decade by the Alexis

de Tocqueville Institution, a

US think tank, also raises the

question as to whether the fund is best suited to the task

of promoting economic reform

Mr Camdessus agreed in

Moscow to release a first \$1bn

tranche of IMF credits to Rus-

sia in return for sharp cuts in its projected budget deficit and

inflation by December, Russia

will reduce its inflation to less

than 10 per cent a month by

the end of 1992 from 15 per

he went to Munich.

in Russia.

world economy to the IMF.

NACE
Richmond ON & Gue
Rothschild Bunk
Royal Bank Scotland
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Sound Diffusion 12 Traidcraft IF any organisation emerged with its stature enhanced from

# Lord King likely to step down at BA

Aerospace Correspondent

A LONG-EXPECTED top management transition at British Airways will be announced tomorrow at the airline's annual general meeting when Lord King, BA's 75-year-old chairman, is likely to indicate his intention to step down.

But Lord King, who was brought in by Mrs Margaret Thatcher, then UK prime minister, 12 years ago to reshape the airline and privatise it, is expec-ted to maintain close connections with BA by becoming its honorary chairman for life. Lord King is expected to indi-

intention to relinquish his post as chairman this year or next. In spite of his appointment as

honorary life chairman or president, the move will mark an end of a significant era in the history of the UK flag-carrier. Under Lord King, BA was transformed from a loss-making

state-owned carrier popularly known as "Bloody Awful" into one of the world's most profitable and successful private airlines. BA recently reported a 120 per cent increase in pre-tax profits to £285m (\$544m) for the financial year ending March, bucking the trend in the airline industry, which has seen many leading

losses because of the recession and the air travel slump caused by last year's Gulf war.

The airline is currently negotiating an alliance with USAir, the sixth-largest US carrier, as part of its efforts to strengthen its global presence and competitiveness Lord King recently said his airline was interested in forging alliances with carriers in the US, Europe and

Sir Colin Marshall, BA's chief executive and deputy chairman, is widely expected to take over as chairman. Lord King recently indicated BA was not looking marketing and operations.

cate at the annual meeting his carriers reporting heavy financial outside the company for his

Sir Colin has also been deeply involved in the restructuring of BA. Many in the industry believe that one reason for BA's success led by Lord King and Sir Colin. However, Lord King's departure as chairman is likely

to lead to other changes at the top of the company. Apart from the appointment of a chairman, BA is likely to appoint a chief operating officer to flank the chairman and chief executive. One possible candidate is Mr Robert Ayling, who recently



Lord King: transformed 'Bloody Awful' airline

### Alan Friedman analyses a structural change in the US energy sector Oil industry refines its operations

THE US oil and gas indus-try will this week begin reporting mainly lower second-quarter earnings against a backdrop of dramatic reductions in capital spending and job numbers at many companies.

The cuts are more than a cyclical reaction to the weakness of US demand for petroleum prod-ucts and crude oil prices that are well below levels seen just before the Gulf war in January, 1991. Instead, industry experts say the US sector has begun a structural change that could ulti-mately shift much exploration and production away from the United States while raising

energy prices for retail and cor-

porate consumers. The challenges facing the US energy industry are several: Congressional and local restrictions on drilling in places such as the waters off the coasts of Florida and California and the coastal plain of the Arctic National Wildlife Refuge in Alaska are causing many companies to redirect their exploration

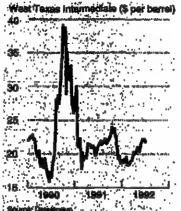
efforts away from the US.

The sputtering US recovery and increasing price competition are keeping marketing and distribution profit margins under pres-sure. The industry has also concluded that the medium-term. outlook is for only slightly improved crude oil and natural

gas prices.

• The cost of modernising refineries and developing cleaner, reformulated petrol - as dictated by environmental laws such as Clean Air Act - will be tens of billions of dollars during the next few years.

• The consensus view is that the industry's operating cash flow will decline by 10 per cent this year, to about \$44bn. Net profits of the energy sector, US oil price



which fell by an aggregate of more than 50 per cent in the first three months of 1992, are expected to drop by at least 10 per cent in the second quarter and by almost as much for the whole of

The result is that many companies are slashing operating costs.
That means sharp reductions in capital spending budgets, selling non-strategic assets and saving money by redundancies that on average will eliminate up to 15 per cent of the workforces of several big US companies.

Although the restructuring process has been underway for more than a year, last week saw several announcements that are typical of the trend, Last Monday, after a survey of 247 companies, Salomon Brothers forecast a drop of nearly 20 per cent in 1992 spending on North American exploration and production. Spending by these same companies outside the US was projected to rise by 9.5 per cent.

On oil and gas exploration and production by top five US groups (Sm)

4.0		in the US	1	Outsid	e North A	nerica
	1891 actual	1992 Asilmate	% change	1991 actual	1992 aslimale	% change
Ежкоп	2,095	.1,850	-11.7	3,040	3,325	+9.4
Mobil	920	600	K34.8	1,361	1,500	+10.2
Texaco	905	709	-21.7	1,044	. 1,112	+6.5
Chavron	1,050	850	-19.1	1,100	1,250	+13.6
Amoco	965	500	-48.2	1,233	1,200	-2.7

1992 capital appropriations budget would be \$1bn less than previously predicted. The company's

payroll was forecast to decline by

10 per cent by year-end and the disposal of more than \$600m of esets was forecast. Wednesday saw Amoco, the fifth biggest US energy company, unveil plans to take an \$800m restructuring charge in the second quarter and to reduce its workforce by 8,500 employees, or

On Friday, Mr Charles DiBona, Tn Houston, Mr Roger Frey, an leum Institute (API), complained that lower crude prices, the sluggish economy and drilling restrictions had caused the loss of 63,000 US energy jobs over the past year and could lead to another 50,000 redundancies over the next 12 months.

In New York, Mr Larry Goldstein, president of the Petroleum Industry Research Foundation, reckoned the US sector was fac-On Tuesday, Mobil, the second ing "major structural changes," biggest US energy group, said its including a dramatic shift in exploration budgets from the US to places such as republics of the former Soviet Union, Colombia, Yemen, Algeria, Venezuela and Indonesia

Mr Goldstein said spending cuts had "decimated" the US exploration and production infrastructure of so many companies that the ability of the industry to respond in a timely manner when the economic recovery eventually strengthened was now in quesnearly 18 per cent, by the end of

> energy sector loan specialist at Chase Manhattan, attributed the structural changes to both mounting environmental costs and the fact that "the industry can no longer bank on steady price increases". He said there was a realisation

> by the industry of the need "to adjust to only moderate oil and natural gas prices in the foreseeable future". Mr DiBona of the API argued

> that while the US energy sector would eventually be leaner and

more competitive, the shift away from exploration and production in the US could be permanent and could affect the US balance of payments in the 1990s.

Compounding the outlook is the fact that US refinery capacity is forecast by analysts to drop by between 5 per cent and 10 per cent during the next three years, while the nation's proven reserves continue to decline over

The implications of the US energy sector's restructuring were summed up two weeks ago by Mr Victor Burk, managing director of the oil and gas industry services division of Arthur Andersen, the consultancy. Although Mr Burk said the shift away from US exploration would continue, he noted this did not mean the US would be abandoned. Rather, the industry would enter a new era when exploration would be pursued on the basis of geographical, opera-tional and technological niche opportunities.

Mr Paul Ting, an oil analyst at Oppenheimer in New York, con-cluded that while 1991 was a bad year, with net income down by 21 per cent for the top 10 US energy groups, profits in the current ear would also decline, although less sharply.

With refining and marketing margins under pressure, much of the earnings sweepstakes in the latter half of 1992 will depend upon the price of crude, which is not expected to rise in a significant way.

Earnings could improve again next year, thanks partly to the lower operating costs being wrought by restructuring. But neither US job levels nor exploration activities are expected to return to past levels for quite

### Hanson expects **UK and US** acquisitions

By Roland Rudd in London

LORD HANSON, chairman of the Anglo-US conglomerate that bears his name, yesterday said the group planned to build its core businesses through acquisitions that were more likely to take place in the US and UK than in mainland Europe.
"Bargains will continue to

arise both here and in the US", he said in London,

Hanson has recently said it is keen to build and expand seven core businesses. In the US they are Peabody Coal; Cavenham Industries; and SCM Chemicals. In the UK they are Imperial Tobacco; and building products groups, including ARC and Lon-

Quoting from a private speech he gave to the Worshipful Company of Actuaries in London on Thursday, Lord Hauson said: "The days of Hanson's growth through acquisition are not over. It's the timing which counts. At present disposing of small peripheral businesses and adding new ones to our core companies is probably right."

While the conglomerate is still looking at the possibility of buying businesses in Europe be warned: "There are drawbacks which prompt my strong belief in the priority of our present trans-Atlantic companies. There are untoid legal . . . financial and union problems in direct corpo-rate investment in the EC ... which require a cautious approach. Look at France. The country's road system paralysed by farmers and truckers. Corporation tax in Germany, after eastern European surcharge and local income tax . . . could be 65

per cent - double the UK rate." He added: "I believe the recoveries in the economies of the United States and the UK which were expected to take place by the end of 1992 are more likely to be delayed until the end of 1993 and a lot of companies that just managed to hang in there last year are now in worse trouble ... they're now saying 'Well,

we would like Hanson's help'." He warned the actuaries that corporate governance has been "somewhat overworked of late". He said: "Changes won't take place by loading the board with non-executive directors. Their role is not apart ... as watch-dogs; it's part of the single board. How often do companies need watchdogs? What they need are hound-dogs who will help the company hunt down its targets."

### G7 passes the future of Russia to the IMF

cent (and rising) at present. It plans to cut its domestically financed fiscal deficit from 17 per cent of gross domestic product to 5 per cent in the

same period. It was not clear in Munich how this would be achieved. The necessary fiscal and monetary measures will be introduced over the coming weeks. The IMF has been assured that most will be enacted by presidential decree, presumably after parliament breaks up for the summer this week.

Yegor Gaidar, his prime minister, means anything, the Russian government should be able to count on Mr Yeltsin's support in pushing ahead with economic reform. There is some hope that the Russian people and parliament, looking as they are over the abyss at hyperinflation, will pull back and put up with the conditions

that IMF support will entail.

There is little doubt that the conditions will be painful. Moreover, the DMF will have leverage because of the staged

faced a challenge of of this

### **Economics Notebook**

By Peter Norman

But are these goals realistic in the light of past experience? In late February Russia's government and central bank agreed a programme of stabilisation and reform that envisaged a sharp decline in inflation to a range of between 1 per cent and 3 per cent a month by the fourth quarter of this year when the budget deficit would be around zero. This programme appeared to be on track until upset by decisions of the Russian parliament in

the spring. Things may be different this time. The IMF has been careful to strengthen the hand of the Russian finance ministry in drawing up the new programme so that it can be considered as a Russian govern-ment programme. If the fulsome tribute made by President Borls Yeltsin in his Munich press conference to Mr

nature of its support. Another \$3bn of credits will not be released before autumn when Russia will have been obliged to meet further economic performance targets and sort out its monetary relations with other republics and especially those staying in the rouble zone. The promised \$6bn rouble stabilisation fund is further off. It depends on progress to currency stability and Is unlikely before 1993. This dripfeed technique gives the IMF a strong negotiating position in the event of Russia backsliding

That Russia could well backslide is suggested by the IMF Assessment Project carried out by the Alexis de Tocqueville Institution of Arlington near Washington. According to Mr Gregory Fossedal, the institu-tion's chairman, achieving currency stabilisation and infla-

among the weakest areas of fund performance. The institu-tion's study of 90 IMF pro-grammes between 1980 and 1991 also found that the successful achievement of mone-tary and fiscal targets depended crucially on the implementation of fiscal and monetary policies as planned.

Mr Fossedal argues that the
IMF is most successful in coun-

tries with long-standing democratic and capitalist traditions. He wonders whether the fund can be the "bold, energetic catalyst" needed to rebuild the former communist states. "The last time the West

magnitude, after World War Two, the IMF, the World Bank and the UN Rehabilitation and Relief Agency all spent two years attempting to revive the economy of western Europe, to no avail," he says. Harking back to the introduction of the Marshall Plan, he says: "Only when a special, self-terminat-ing executive agency was funded, created, debated openly, co-ordinated with joint commissions in the recipient countries, and staffed by the businessmen and investors who would be called upon to support it, did the more focused efforts of the fund and

the Bank begin to bear fruit." Mr Fossedal would like to see a new Marshall Plan for Russia with a new organisation that would move reforms ahead rapidly and have a \$50bn

annual budget.
But herein lies the rub. One of the reasons the IMF has so much responsibility thrust upon it is that the western industrial nations either will not or cannot produce such financial support.

As Mr Brian Mulroney, the Canadian prime minister, pointed out last week, the US devoted 1.2 per cent of its gross national product to the Mar-shall Plan. So far, the G7's contribution to the former Soviet Union amounts to just 0.2 per cent of its combined GNP.

### Inquiry by **SFO** looks at share dealings

By Peggy Holknger and Ken Gooding in London

THE UK's SERIOUS Fraud Office is investigating share dealings in at least two quoted UK companies - Richmond Oil and Gas and Butte Mining. The inquiry, which follows a raid on the abandoned offices & Co in April, is investigating transactions in Richmond Oil between the £21m (\$40m) pub llc offer in June 1989 and the failed £31m rights issue of October 1990. It is believed early indications have raised the possibility of a share support scheme.

Documents recovered in Jersey, half a tonne of which were taken to the UK by investigators last week, could prompt an inquiry which may affect several UK natural resource companies, including Geevor and Globe Petroleum, formerly known as Far East

Bryant & Co appears to have been a "significant staging post" for share irregularities, said an investigator. Documents regarding Butte Mining were also discovered at Bryant & Co. Butte has launched legal action claiming damages of \$325m from more than 70 former executives and advisers, including Bryant & Co. Also named in the Butte litigation is Mr Clive Smith, the UKbased entrepreneur with natural resources interests, who helped bring Richmond and Butte to the market. Mr Smith and his family interests held 11 per cent of Corporate Broking Services, the defunct broker which sponsored the Rich-

### THE

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THE FINANCIAL WORLD IN VIEW

Accountants to pay damages over Sound Diffusion rights issue

### Tunstall settles out of court

ARTHUR YOUNG, the accountancy firm which is now part of Ernst & Young, has agreed to pay £1.35m in costs and damages in connection with its role as auditor and adviser to Sound Diffusion, the collapsed electrical equipment leasing company. Tunstall Group, the security

and emergency communications equipment supplier, agreed to settle out of court with the accountants after a battle lasting more than two years in search of compensa-tion following its subscription for a rights issue just seven months before Sound Diffusion went into receivership in

Mr Michael Dawson, Tunstall's chairman, has doggedly pursued his case in the belief that Arthur Young should not have approved the 1987 accounts because of over-stated profits caused by a breach of SSAP 21, the accounting stan-dard dealing with leasing.

He also argued that the firm failed in its role as advisers to a £9.5m rights issue in May 1988 which appeared to suggest that the new money was partly for future growth, when in fact it was essential to support the

company's existing losses. However, Mr Nick Land, national managing partner of Ernst & Young, stressed that the firm denied liability. We settled to finish the matter and to avoid it going on for a long

Mr Dawson issued a writ in November 1989 and continued to put pressure on the accountants right up to the date of



Michael Dawson - issued writ in November 1989

the court case, which was scheduled to begin on July 6. Ernst & Young agreed to the payment shortly before that

In his chairman's statement to the interim accounts for the six months to March 31 this year, Mr Dawson said Tunstall had made a provision of 2670,000 in professional fees for

the action to date. Tunstall sought damages for about £500,000 in rights for which it subscribed on its shareholding at the time of the issue, £1.2m for other shareholders' rights and £200,000 for rights it never exercised. In the

event, it received full compensation for the first item, £250,000 towards the second and none on the third.

If the case had made it to court, it might have filled an important hole in determining whether auditors have a responsibility to existing shareholders who subscribe for additional shares and buy others' rights in the market.

While the settlement requires that neither of the two parties discuss details of the case. Tunstall's complaints can be derived from the highly critical report issued by the two Department of Trade and

Industry inspectors on Sound Diffusion in February last

The DTI report states that Sound Diffusion had recognised "excessive selling profits" and "materially overstated" its balance sheet value in its accounts for the year to December 31 1987 by failing to adequately follow SSAP 2L

The report also suggests that the rights issue prospectus was "misleading" because it failed to point out that the new money was necessary for Sound Diffusion's survival, a fact not pointed out to shareholders in the final version which was circu-

The lead partner on the 1987 audit was Mr Paul Rutteman, now a partner with Ernst & Young, an acknowledged expert on lease accounting and a member of two technical committees of the Institute of Chartered Accountants in England and Wales.

Yet as the DTI inspectors conclude: "Arthur Young either failed to identify or otherwise accepted serious defects in the company's lease accounting practices and did not adequately audit the amount receivable under finance leases."

ironically, Ernst & Whinney was the auditor of Sound Diffusion before relinquishing the job to Arthur Young for the 1987 accounts after a dispute over the stated profits in the previous year. The merger of the two firms in 1989 means that partners from both sides will be involved in the settle-

#### **NEWS DIGEST**

### NMC to pass final dividend

NMC, the packaging company, is passing its final dividend for the year to March 31 because of uncertainties about the timing and proceeds of its planned flotation of a stake in Universal Packaging, its US offshoot. Mr Norman Gordon, chief executive, said dividend policy

would be reviewed when the situation had been resolved. He added that almost all the group's profits arose in the US and existing financing arrangement restricted their repatriation. The flotation was

tural imbalance. The company, which last year failed to take over APL a rival packaging company, suffered a downturn in pre-tax profits from £7.39m to £5m. The passing of the final dividend

leaves the total for the year at 1.25p, against 3.55p. Universal increased profits as a result of a strong rise in sales in the second half. UK businesses had a difficult year with losses in the point of sale

Turnover for the year declined to 293.6m, against £110.8m which included a £17.3m contribution from property and finance. The figure included £3.86m (£5.04m) from Hobbs Packaging which was

sold in January. Earnings per share were 2.76p (7.07p) basic or 5.91p (8.61p) fully diluted. There was an extraordinary charge of £615,000 relating to costs of its failed API bid.

#### Malvern UK Index asset value ahead

Malvern UK Index Trust had a net asset value per share of 111.11p at June 30 compared with 105.58p a year earlier and 108.13p at the December 31

Net revenue for the half-year rose to £983,000 (£896,000) for earnings of 2.03p (1.85p) per share. The interim dividend is lifted to 1.7p (1.25p), and directors forecast a 2p final pay-

#### Lister falls deeper into the red

Increased pre-tax losses of £2.78m for the year to March 28 were announced by Lister & Co, the textile products group which also has interests in property investment, engineer-Losses last time were £1.71m.

The directors said that action taken during the year had resulted in two key parts of the business, Joseph Hoyle and Lister Yarns, returning to current profitability. The weakness of the home furnishings and domestic textiles markets had led to a fundamental reorganisation of that part of

the business, they said. Turnover fell to £30.9m (£34.7m). Losses per share increased to 17.11p (10.94p) but the proposed final is maintained at 0.1p after the interim

payment was again passed. There was an extraordinary charge of £531,000 (£2.06m) relating to costs associated with the development of the Manningham Mills complex in

#### Exceptional profit **boosts Peter Cox**

Helped by an exceptional profit of £477,000, Peter Cox, the building preservation company, reported pre-tax profits of £904.000 on turnover of £30.5m in 1991.

Mr John Wilson, chairman, said the result was creditable in the economic gloom. The previous period was for

14 months following the purchase by its management from John Mowlem in which pre-tax profits were 1933,000 on turnover of £34.3m.

#### **Etonbrook plans** cash repayment

Profits of Etonbrook Properties amounted to £182,000 pre-tax for the year to March 31 after taking account of an exceptional provision of £400,000 for property write-downs. The previous year's profits

totalled £1.63m and included a

development profit in excess of £2.5m and an exceptional debit of £1.45m. Earnings worked through at 1.3p (34.2p) and the dividend is a same again 2.75p. With a view to reducing the discount between the year-end net asset value per share of 117p (118p) and the current 68p share price the directors are proposing a capital reorganisation in order to pay ordinary

shareholders 25p cash per share. This will be achieved via the return of surplus proceeds from property sales.

They are also proposing to repay the redeemable preference shares which is a pre-requisite of any capital repayment or payment of an ordinary dividend. Both proposals will be

ing next month. In addition, the directors have formulated a strategy for the future development of the ing and insurance broking. company which they say "could include utilising Eton-

Last

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3.57

172 20

MRI TOKYO BOND INDEX

176.18

brook's stock exchange listing by merging with a trading company so as to achieve a

higher share rating". Notice has been received from Multitrust, a 10.05 per cent shareholder in Etonbrook. that it intends to propose at the annual meeting resolutions for the appointment of Mr A. Perioff and Mr M. Block as directors and for the removal of Mr J. Harris and Mr W. Moss

#### Cowie makes second clarification over bid

Cowie, the motor trader which is bidding £26.7m for rival Henlys Group, has had to make a second clarification over the status of its offer.

It said it wanted to remove any impression that its offer may not be revised. It also referred to its offer document which said the offer was "gen-

The first clarification came on Thursday after a newspaper article seemed to suggest that Cowie's offer was final Under takeover rules, once a bidder has said an offer is final it cannot increase the offer unless another bidder comes in.

Cowie said that a second newspaper article had misquoted a Cowie representative saying "this is the best offer". Cowle said the Takeover Panel had advised them to clarify the

With Cowie's shares standing at 141p the 1-for-2 share bid worth 70%p, against Henlys share price of 72p. That suggests the market does not expect the Cowie offer to succeed at this price. Some shareholders are believed to want a cash alternative to the all-pe-

#### Hilclare declines to £59,000

Hilclare, the USM-quoted designer and manufacturer of electronic security and lighting products, suffered a fall in pretax profits from £194,000 to 259,000 for the year to March

The figure was impacted by an exceptional bad debt of £59,000 which was incurred after the year-end but provided for within the results.
Sales improved to £3.34m

(£2.99m) but gross margins fell from 30.4 per cent to 26.3 per cent. Earnings declined to 2p (5.8p) but the dividend is a same-again 0.5p. put to an extraordinary meet-

#### Rothschild Bank 'safety measure'

Rothschild Bank, the Zurichbased private bank controlled by NM Rothschild & Sons, has dissolved its hidden reserves to make provision against possi-

Sir Evelyn Rothschild, chairman of NM Rothschild, said the bank had decided to dissolve hidden reserves of SFr63.5m (£24.3m) as a safety

measure. "The bank is very conservative and we feel that it is right to make the transfer from reserves as a safety measure," said Sir Evelyn. He added that Rothschild Bank was doing well and had had an exceptionally good 1991-82 year. Rothschild made a net profit

of SFr24.4m in the 12 months to March 31. Depreciation, provisions and loan losses rose to SFr99.8m (SFr24.3m).

The decision to make provi-sions followed a review of the bank's credit exposure at its recent annual general meeting which found that some credits were not fully covered.

#### Royal Bank of Scotland purchase

Royal Bank of Scotland said that its Capital House Investment Management subsidiary had purchased the discretionary portfolio management budes of Standard Chartered

The businesses, which are based in London, Jersey, Isle of Man, Singapore and Boston. have £1bn under managemen They are mostly institutional funds, but include some private client portfolios as well. The acquisition raises Capital House's total funds under management to £4hn.

#### Manweb chairman's salary jumps

The total remuneration received by Mr Bryan Weston, chairman of Manweb, the Chester-based regional electricity company, jumped by 37 per cent from £156,000 to £214,000 in the year to March 31 1992.

The annual report and accounts show that his salary rose by 21 per cent to £175,000 (£145,000). In addition, there was a performance-related bonus of £32,000 (£8,000) and benefits in kind worth £7,000 (£3,000). The figure excludes pension contributions. Manweb's pre-tax profits for

the year rose by 61 per cent to £94.7m (£58.9m). Mr Weston is the highest paid director. Liffe Swiss franc

### interest rate move

The London International Financial Futures and Options Exchange (Liffe) is to start trading options on its Swiss franc interest rate futures contract on October 15. Mr Nick Durlacher, Liffe's

chairman, said: "Given the high level of volatility in EuroSwiss interest rates, there is a need for an instrument which provides additional hedging and trading opportuni-

The three-month Euro-Swiss futures contract, launched in February 1991, recorded an average daily volume of 8,000 contracts in June.

#### Trinity International acquisition cleared

The proposed acquisition by Trinity International Holdings, the publishing and paper making group, of Scottish and Universal Newspapers, has been cleared by the trade and indus-

try secretary. The clearance follows an investigation and report by the Monopolies and Mergers Commission. Scottish and Universal publishes 23 paid-for and free newspapers in central and southern Scotland.

### Eastern German distribution group to be privatised

By Andrew Taylor, Construction Correspondent

THE FORMER biggest distributor of electrical equipment, tools and materials to east German industry is to go on sale this week, at a price expected to be over DM150m

At this level, which is based on previous deals involving purchases of European build-ing products wholesalers, it would make the price paid one of the biggest for a privatisation in the former communist-controlled republic. Maschinenbau-und Technik-

handel (MBH), which once had a turnover of DM10bn, has been slimmed down substan tially and now concentrates mainly on selling tools and components to the region's fast-growing construction

Sales last year were DM 436m from 65 outlets in 32 cities, making it easily the region's biggest wholesaler of building products. These include lighting and electrical supplies, plumbing, heating and sanitary equipment as well as woodworking and metalworking tools and accesso-

Competition to MBH will come from subsidiaries of sev eral large western German public companies which have established operations as well as some smaller privatelyowned family businesses.

Construction output is eastern Germany is forecast to rise by one-fifth this year, with DM500hn expected to to be spent during the next eight years on building and repairing the region's housing, infrastructure and industry.

The Treuhandanstalt, the privatisation agency established to sell former state-owned assets, has appointed Merrill Lynch in London to advise on the sale of MBH, which has already attracted some international

interest. Companies from 10 countries, including Britain, France, the Netherlands, Belgium, Switzerland, Austria and the European subsidiary of a Hong Kong-based group, have expressed interest in

acquiring MBH. MBH owns 120 properties, including the 65 active trading outlets. The purchase pric could depend upon which of these properties are to be included in the sale.

Merrill Lynch earlier this year arranged the sale for DM90m to Thames Water of the Mitteldeutsche Wasser-und Umwelttecnik (UTAG) the former East German water supply and sewerage treatment engineers.

### **Pioneering** social audit from Traidcraft

By Andrew Jack

TRAIDCRAFT, the Guteshead-based distributor of third world goods, has published a pioneering social audit of the company to accompany its accounts for the 1991-92 Including redundancy costs

of £45,000, the pre-tax loss for the 12 months to end-March was reduced from £118,000 to £23.000. The social audit was a pre-

liminary document attempting to assess the wider, non-financial impacts of the company on its customers and employees which should be ready by the time of the next annual report, according to Mr Richard Evans, external affairs direc-

While a growing number of companies are producing statements on environmental policies and impacts, the Traidcraft report attempts to go much further in analysing the company's impact.

The audit – which was pre-

pared by the directors shows that 68 per cent of total sales of £5.39m were of goods from the third world last year, compared with 98 per cent of total sales of £830,000 in 1982.

It reports a planned 10 per cent reduction in gas consumption during the current year and discusses its use of recycled materials.

The audit also shows a staff turnover of 4 per cent, excluding 16 of the redundancies from the workforce of 134 at the beginning of the last financial year. It says there are no employees from ethnic minorities, but two registered disabled staff,

It also lists 65 working days for executives and managers taken up with training. There are about 3,750 nonvoting current shareholders,

### Bramalea expects to pull out of industrial property market

By Bernard Simon in Toronto

BRAMALEA, the debt-burdened developer controlled by Toronto's Bronfman family, expects to withdraw from the North American industrial property market and retain only a handful of its Canadian office buildings as part of a last-ditch effort to maintain the confidence of its lenders.

company expected to present a new business plan to lenders later this month and hoped to complete negotiations by the end of August. .

Bramalea, which has debts of residential market in Ontario

C\$4.9bn (US\$4bn). defaulted last month on interest payments on a debenture issue, and its financial problems are widely viewed as being at least as serious as those of Olympia & York. But, unlike O&Y, Bramalea

up to now convinced its lenders that it is doing its Mr Marvin Marshall, utmost to president, said that the asset sales. utmost to raise cash through As part of the restructuring Bramalea also plans to sell its US shopping centres, to reduce

has the advantage of a

powerful shareholder and has

its Canadian mall portfolio, and to concentrate on the

since it began selling properties last year. It expects total proceeds to reach about C\$2bn by 1997. Several of its assets have been bought by Trizec, its controlling shareholder. But Trizec, which itself has debts of more than C39bn, has indicated that it is

willingness to provide support to its subsidiary. Bramalea's shares closed at 80 cents on the Toronto Stock Exchange on Friday, down 7 cents on the day. The shares were trading at close to C\$5 at the beginning of this year.

nearing the end of its

### Fund managers switch to bonds

By Angus Foster

FUND managers are looking to increase their holdings in bonds, especially UK gilts, at the expense of equities, according to the July monthly survey by Smith New Court and Gal-

Managers planning to invest in UK gilts outnumbered those planning no such move by 32 per cent, the highest level for two years and double the June total. Interest in index-linked gilts, overseas bonds and deposits increased at a similar rate, the survey said.

A balance of 10 per cent of managers said they would lift exposure to UK equities. This is the lowest figure this year, but the UK is still seen as more attractive than the US and Japan, where managers remain

negative, However, forecasts for UK earnings-per-share growth have been marked down. Managers expect earnings to grow 6 per cent this year, compared with 9 per cent forecast last month. For 1993, forecasts have been cut from 12 per cent to 10 per cent. Dividends are expec-ted to grow 3 per cent this

year and 5 per cent next Over the next 12 months, 8 per cent of institutions are optimistic about the FT-SE index compared with 72 per cent for continental European markets. Only 56 per cent are

hopeful about Japan. A special question in the sq vey asked managers their favourite and least favourite. sectors for the coming year. Health and household, water. industrial materials and banks were most favoured while contracting and construction, property and building materi als found least support.

### Restructuring and consolidation keep generating large bids

RESTRUCTURING and consolidation continue to generate large international bids and deals,

writes Brian Bollen. The biggest of the week by far was the agreed bif by Cementos Mexicanos for Valenciana de Cementos, Spain's higgest cement group. This continues the rapid consolidation of Europe's troubled cement sector and reverses the

long-standing trend in the sector for European companies to invest in North America. Moody's Investors Service, the US debt ratings agency, appeared less than impressed: it placed the Camex rating under review for possible downgrade, saying such a large acquisition might indicate a more aggressive growth strat-

egy than previously thought.

Camex decided in 1988 to concentrate on its core business. That one company's non-core disposal is another's growth opportunity was underlined again by British Petroleum's latest disposal, of its Germany subsidiary Globol. The transaction

BP in 1986 - further into continental Europe and increases its sales by more than one-third.

Debt claimed another prominent victim, foreing French businessman Mr Bernard Taple to sell off yet another business, the German sport-ing goods company Adidas. Pentland Heldings of the UK thus adds another top-brand name brand to the portfolio assembled with the proceeds of its enormous profits on its Reebo

Niche markets continue to be fashionable. Specialist chemicals group Hickson International of the UK is moving into the supply of fine chemicals to pharmaceutical groups by buying Ireland's Angus Fine Chemicals.

Simon Engineering of the UK said its pur-chase of the marine seismic data division of Teledyne Exploration of the US makes it the world's fourth-largest in that specialised sector. The week saw much speculation about fur-ther restructuring of international strings, but only one small transaction emerged, the

group bought out from	Jeyes cleaning products Cadbury Schweppes and	chase of 26.5 per German flag-car	cent of Au rier Lufths	istria's Laude Air b maa.
	CROSS BORDE	R MGA DEALS	5.1	
PRODEFLINVESTOR	TARGET	BECTOR	VALUE	COMMENT
Cementos Mexicanos (Mexico)	Valenciane de Cementos (Spain	Commi	2856m	. Gemex wants 74.1%
(UK)	Adidas (Germany)	Sporting goods	£215m	Taple distress
Hickory Intermational (UK)	Angus Fine Chemicals (ireland)	Pine Chemicals	222.4m	Hickson enters
Jeyes (UK)	Globol (Germany)	Cleaning	£18.1	Another BP
Luffhanea (Germany)	Laude Air (Austrie)	Airlines	£10m	Limberga taking 25.5%
Simon Engineering (UK)	Unit of Teledyne Exploration (US)	Seismio data	€5.2m	Staged payments
Minorco (Luxembourg)/ Outstamper (Finland)	ivernia West (ireland)	Mining	£4.15m	Raising stakes
Linde (Germany)	Fist OM Carrelli Elevatori	Fork Lifts	n/a	Linde buying
Monsanto (US)/Monsanto Kasel (US/Japan)/Premier Enterprise (Thailand)	Monsanto Premier Kesel (Japan)	Speciality plastics	n/e	Manufacturing :
Lucas Bols (Holland)	Williams & Hubert (Spain)	Drinks	n/a	Bols doubles up

The FT proposes to publish this survey on November 10 1992. Should you be interested in acquiring more information about this survey or how to advertise please contact:

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### INTERNATIONAL CAPITAL MARKETS

### Bundesbank guidelines set to give boost to sector

some regulations, is at last catching tional participation. up with comparable sectors

on issuing D-Mark paper, which cess and enhance the competitive-come into force at the beginning of ness of German capital markets; August, are set to provide a further 'but German bankers say it will boost to the market's recent devel- not necessarily improve their profopment. Because of the importance its. of the German economy, there is a . The main thrust of the change is natural appetite for D-Mark paper among international investors, but in the past concern about liquidity. and reluctance to deal with different market practices have proved a del institutions strong deterrent.

increasingly broadly held, other of other inconveniences - and types of securities have remainedlargely domestic instruments until . D-Mark paper: the requirement to recently. Meanwhile, foreign bor- appoint a German paying agent; rowers wishing to issue paper to use the German clearing denominated in D-Marks have been system; to list on a German stock kept out by complex rules and

growing supply and demand, and a offerings. gradual easing of rules by the Bund. In the first half of 1992, volume in esbank, have boosted the D-Mark, the D-Mark sector of the Eurobond bond and commercial paper mar- market leapt to \$14.8bn (equiva-

US DOLLARS

Samwa Fin. (Aruba)(b)#† Export Dev. Council†

Mitsubishi Oil Co(q)#†

Thyssen Financet

City of Yokohamer Shochiku Co Lida

Credit Foncieria)†

THE MARKET for debt issued in kets and their improving liquidity lent), compared with \$9bn for D-Marks, long shackled by cumber has encouraged greater interna-

The latest move by the Bundes-The new Bundesbank guidelines ; bank is set to accelerate that pro-

> the abolition of the two-year minimum maturity requirement for foreign companies. The requirement still applies to banks or other finan-

While bunds have become have also done away with a number expenses - involved in issuing Exchange; and to use German law. In addition, German branches of But in the last couple of years, foreign banks can now arrange debt

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100 Sanwa Intl. 101.015 CSFB

99.725 CSFB

100 Yamalchi Int.(Eur)

101.615 Bk of Toyko Cap.Mikts

100 Normuru-Inti. 101.70 Dreadner Bank

the same period the previous year. The jump is accounted for not bythe growing number of issues but by a substantial increase in the average size of D-Mark Eurobonds, which this year have included

DM2bn issues for Finland and

In the past, we could not persuade these issuers to borrow in size," said the syndicate head of one German bank, who added that it is the growing international investor base which has allowed the market to develop in this way. German banks have had to make a more concerted effort to sell to foreign investors since, until earlier this month, uncertainty on German tax tional German retail investor

One German banker estimated the cost savings on a Eurobond at about 8 to 4 basis points, which could bring some business to the sector, "but it is marginal". These savings, however, are for the borrower and, unless volume is increased substantially, German

**NEW INTERNATIONAL BOND ISSUES** 

competition from foreign houses.

But it is the D-Mark commercial paper market which stands to benefit most from the latest changes by the Bundesbank. The CP market, which only opened in February last year, has already attracted more than 40 issuers, and the total value of programmes exceeds DM30bn.

Bankers predict that programmes could reach DM50bn by the end of the year, up from DM16.3bn at the end of 1991, as the pace of expansion accelerates following the abolition of the minimum maturity of two years for foreign non-bank issu-

These means that foreign companies will now be able to incorporate D-Mark options into their existing Euro-commercial paper and Euromedium-term note programmes.

"This will save costs and result in a much wider use of the D-Mark because it is so easy to do such issues," says Mr Christof von Dryander in the Frankfurt office of Cleary, Gottlieb, Steen & Hamilton, international lawyers. Until now, large companies such

banks could lose out, due to greater as France's Alcatel have had to set up special German subsidiaries in order to issue D-Mark CP.

> "The move is a significant boost for the DM's role as a fully-fledged investment currency ," says Mr Mark Houghton-Berry of Goldman Sachs in Frankfurt. "Obviously the DM has been the most important reserve currency for decades, but because of a number of restrictions many more companies have wanted to raise D-Marks than have found it simple or convenient to

The Frankfurt Stock Exchange said last week that it welcomed this liberalisation, "as a matter of principle". Privately, officials recognise that the move will force a funda-mental reassessment of the listing procedures which are widely criticised as being complex and expensive - out of fear that the liberalisation will drive business away from Frankfurt to other financial centres, especially London and Luxembourg.

Book runner

Tracy Corrigan and David Waller

### **Anthony Harris**

### Self-regulation: no last chance



IT IS now accepted wisdom that, after all the scandals of the last few years, self-regulation in the City of London is down to its last chance. But accepted wisdom

is always a lagging indicator. If the City believes its own research project from the Corporation of London and the London Business School, which has just produced its interim report, there is no time for

Its most important preliminary finding is that regulatory troubles could be the greatest threat to the City's future in Europe. It is not just that the present system is both cumbersome and ineffective (though that should be enough to merit a death sentence). The real danger is that any revised and "improved" system is likely to be over-ridden by Brussels.

Revision would therefore be a dangerous waste of time, despite the persistent belief that self-regulation is a source of London's strength. However, there should still be time for the City to take the kind of lead in effective regulation that the Commission might regard as a model.

The would-be revisers are living in the distant past. It is true that self-regulation in London was once a source of strength, but it could not be sustained after the Big Bang. It used to work because though the rules were imprecise simply a consensus on what was acceptable conduct - enforcement, through the blackball, was swift and ruthless. The post-1986 rules turned this system upside down: we were left with huge doorstops of rule books, but no effective enforcement at all. There are two further weak-

nesses in the current system: it is run by the wrong people, and for the wrong objectives. Those inside the market could run an informal system very effectively, and they always knew that the prime objective was to make the City's services completely trustworthy for the outsiders who used them. Enforcing detailed rules, by contrast, is a job for lawyers, not traders; no wonder it has been ill-done.

The traders have made matters worse by devoting too much of their attention to protecting rival insiders rather than users and outside investors. This was perhaps inevitable while excessive competition squeezed margins almost out of existence, but the result has been to bring us to the brink of the very disaster that the City used to avoid at all personal cost: a loss of public confidence in the markets. This threshold has already been crossed in Tokyo, as it was in New York after the 1929 crash, and with the same result: a collapse in volume.

Visibly effective regulation may well, then, be the price of survival, as it was seen to be in New York when the 1933 Securities Act was brought in, as one of the first moves in the New Deal. The markets were demoralised by low reputation and reduced incomes (does this sound familiar?); so James M Landis, the brilliant young lawyer in charge of the legislation, and later first head of the Securities and Exchange Commission which its created, saw at once that he could harness market self-interest to the cause of tight regula-

Though markets have changed out of recognition in six decades. the basic Landis approach still looks valid. First, adequate, verifiable information; second, effective powers to enforce disclosure on those who are reluctant; third, adequate staff to pursue wilful wrongdoers. All the things, in short, that were lacking in the Maxwell affair. He first won the enthusiastic support of the accounting profession, whose afforts to impose better standards had limped along for years on a voluntary basis (familiar again?), and the acquiescence of traders.

The result was an Augean clean-up at a pace that Hercules might have envied. The legislation passed almost unopposed. Sam Rayburn, in charge in the House of Representatives, remarked that he did not know whether this was because "it was so damned good. or so damned incomprehensible" The SEC got off to a flying start: in its first 15 months not a single decision was challenged in the courts. Men like Landis are born, not made; but his system still works, and we can learn from it.

2002 1995 1995 BL/Merrill Lynch Selomon Bros. Intl. World Bank(k)† Finnish Real Est.Bk.(i)#† STERLING -13,86 10 3.5 97.442 NZW 99.297 Salomon Bros. 100 NatWest.Capt.Mkts Hanson(d)t 2002 1996 1997 2012 Conted Tressury Servicet Slough Ests (m)† CANADIAN DOLLARS Tokyo Elec. Powert European Inv. Bk.† Kingdom of Norwayt Eurofimat 7.341 8.219 7.825 8.125 1995 99.374 Salomon Brow. AUSTRALIAM DOLLARS 101.75 NatWest Cap. Mkts. 98.696 Hambros Bank 100.06 Hambros Bank D-MARKS" Rep. of Turkey† Mobil Oil Geneda† 10.095 FRENCH FRANCS Province of Quebeci

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SNCT! 101.635 BBC LUXEMBOURG FRANCS Bacob Overseas \* \* † BFCE(j)†

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t de land la grande la la francia la cale de This notice is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the London Stock Exchange"). It does not constitute an invitation to any person to subscribe for or purchase any of the new ordinary shares of 20p of Ocean Wilsons

Application has been made to the Council of the London Stock Exchange for all the undermentioned new ordinary shares to be admitted to the Official List. It is expected that dealings in the new-ordinary shares will commence on 13th July, 1992.

OCEAN WILSONS HOLDINGS LIMITED (Incorporated under Act of Parliament in Bermuda with limited liability)

> Introduction to the Official List Rea Brothers Limited

39,699,840 ordinary shares of 20p each

Issued and to be issued fully paid £10,012,000 In ordinary shares of 20p each £7,939,968

Listing particulars relating to Ocean Wilsons Holdings Limited are available in the statistical services of Extel Financial Limited. Copies of the listing particulars may be obtained during normal business hours on any weekday, Saturdays and public holidays excepted, up to and including 15th July, 1992 from the Company Announcements Office of the London Stock Exchange, The Stock Exchange Tower, Capel Court Entrance, Off Bartholomew Lane, London EC2 (for n only) and up to and including 27th July, 1992 from:

Ocean Wilsons (Holdings) PLC

13th July, 1992

7th Fluor Neptune House Triton Court Finshery Squa London EC7

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This advertisement has been prepared on the basis that the recommended offers ("the Offers") by Throgmoroun 1000 Smallest Companies Trust PLC ("T1000") for the whole of the issued share capital and all the outstanding warrants of The Throgmorph USM Trust PLC ("TUSMIT") become or are declared unconditional in all respects; that all the TUSMIT Ordinary Shares and outstanding TUSMIT Warrants are acquired and that TUSMIT formula space value (as defined by the Offers) is

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5 Appoid Screet, London EC2A 2DA

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#### U.S. \$500,000,000 National Westminster Bank

Primary Capital FRNs (SERIES "A")

In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from July 13, 1992 to January 13, 1993 the Notes will carry an interest Rate of 3 %% per annum. The interest payable on the relevant interest payment date, January 13, 1993 against Coupon No. 15 will be U.S. \$1,948.61 and U.S. \$194.86 respectively for Notes in denominations of U.S. \$100.000 and U.S. \$10,000.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

HongkongBank (X)

U.S.\$400,000,000 PRIMARY CAPITAL UNDATED FLOATING RATE NOTES

Notice is hereby given that the Flate of interest has been fixed at 3.625% and that the interest payable on the relevant interest Payment Date October 13, 1992 in respect of \$5,000 nominal of the Notes will be \$46.32 and in respect of \$100,000 nominal of the Notes will be \$925.39.

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JUNE 1992

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#### INTERNATIONAL CAPITAL MARKETS

**UK GILTS** 

### Long-dated issues hold up well

some nervousness in the gilt market, though long-dated bonds held up relatively well due to a promising outlook for inflation over the next year.

While prices at the short end fell slightly, long-maturing bonds benefited from further signs that demand in the UK economy is extremely weak.

This point was rammed home by news that the retail prices index increased in the year to June by 3.9 per cent. from 4.3 per cent in May. The June figure is the lowest since last October and underlines how inflationary pressures are being squeezed due to weak demand linked to the reces-

Last week's fail in the pound against the D-Mark - it closed on Friday night at DM2.8725, or more than 2 pfennigs down on the week - unsettled some sections of the gilt market. It also effectively ruled out for the immediate future a cut in hase rates, held at 10 per cent

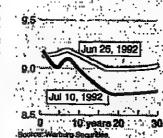
since early May. Many would like the government to reduce rates to revive the economy.

Reflecting the lack of likely movement on short-term bor rowing costs, the benchmark short-dated 10 per cent Treasury bond maturing in 1994 was quoted on Friday night down nearly 1/2 point on the week at 100差. Its yield was 9.24

Long-dated gilts, however, performed better. This was on the basis that the longer base rates stay high, the sharper will be the disinflationary pressures, and the more obvious will be the value to investors of holding on long-term to fixed interest-rate securities. Accordingly, the long-dated 9 per cent stock due in 2008 gained % on the week, closing on Friday at 101¦, for a yield of 8.79 per cent.

On the basis of the inflation prospects, it is possible to make out a good case for buying gilts, a view which appears other relatively strong Euroto have been accepted by many

UK gilts yleid Restated at par (%):



UK institutional investors in recent weeks. That may also be the case for many overseas investors, even with sterling looking fragile. If the point is accepted that the pound will soon rise from close to the bottom of its band in the European exchange rate mechanism, then anyone buying gilts using D-Marks or any of the

pean currencles will find UK bonds relatively cheap. As for inflation, the retail-

price figures showed how service-sector inflation - which was relatively high for much of last year - is dropping fast. Between January and June. year-on-year price increases for leisure, household and personal services have fallen from 11.3 per cent to 8.1 per cent, from 7.8 per cent to 5.9 per cent and from 8.8 per cent to 6.4 per

More indications about the modest upward pressure on prices in the UK economy are likely tomorrow when the Central Statistical Office releases the latest data on the prices of manufactured goods at the wholesale level Producer prices are expected to have risen by 3.5 per cent in the year to June, from 3.6 per cent in May, underlining the diffi-culties many companies face in increasing margins.

Peter Marsh

#### **US MONEY AND CREDIT**

### Convention causes a shiver of apprehension

WHEN the Democratic party meets in New York this week to crown Mr Bill Clinton as its presidential nominee, it is also likely to send a shiver of apprehension through an otherwise bullish US credit market.

For a successful Democratic National Convention, produc-ing a boost for Mr Clinton in the opinion polls, will create even greater uncertainty over the outcome of this year's

three-way presidential race. And anything that detracts from the chances of President George Bush being re-elected. will be taken badly by the bond market, which still seems to assume a Bush victory and fears that inflation would be reignited by the kind of national investment programme being advocated by Mr

Politics apart, the market has had plenty to be bullish about ever since the surprisingly bad employment report issued on July 2, and the Federal Reserve's quick response in slashing balf a percentage point from the discount rate. Last week, corporate issuers

rushed to take advantage of lower short-term rates, with the US market absorbing over \$9bn of new corporate issues.

The interest rate differential, or apread, between risk-free Treasury bonds and corporate debt has tightened so much because of declining short-term rates that some of last week's corporate issues encountered substantial buyer resistance.

That in turn helped hold down the price of Treasury securities as traders lightened their positions to cover unsold corporate inventories.

Yet the overall mood remained strongly builtsh as a succession of economic indicators released during the week suggested that the momentum of both the economy and inflationary pressures remain very

The government reported on Friday that wholesale prices rose a mere two-tenths of 1 per cent in June, while on Thursday the Fed reported a \$7.3hm drop in M2, the monetary aggregate it tracks most closely, for the week ending on June 29 and a \$13.8bn decline

Notice of Early Redemption

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US\$100,000,000

101/2% Notes Due September 9, 1995

NOTICE IS HEREBY GIVEN that, pursuant to Section 6(a) of the Fiscal and Paying Agency Agreement dated as of September 9, 1985, Tribune Company has elected to and shall redeem on September 9, 1992 (the "Redemption Date") all of the outstanding Notes, at a redemption price equal to 1011/2% of the principal amount thereof (the "Redemption Price").

The Notes shall become due and payable on the Redemption Date at the Redemption Price which

The Notes will no longer be outstanding after the Redemption Date and interest on the Notes will

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On and after the Redemption Price.

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Morgan Cuaranty Trust Company

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2 Boulevard Royal

BP 2205

shall be paid upon presentation and surrender of the Notes together with all Coupons thereto appertaining meturing after the Redemption Date at the Paying Agents listed below.

in M3. M2 is showing an annual growth rate of 0.9 per cent, far below the Fed's target range of 2.5 to 6.5 per cent. Statistics like this have

increased fears of a "triple dip" recession, though the economic consensus still expects modestly accelerating growth in the second half. The coming week could bring some better economic news, with the retail sales figures for June forecast to show gains of between 0.2 per cent and 1 per cent, thanks mainly to a stronger automobile sector.

The weakness of the economy certainly leaves room for further Fed easing over the summer if the statistics look horrendous. But whether the central bank moves or not, its action on July 2 appears to have produced a substantial shift in the market's view of the remainder of 1992; no longer do analysts expect the Fed to reverse direction and start tightening monetary policy by the end of the year.

The Fed's easing, coupled with the poor economic statis tics, helped push the dollar

down sharply last week as, too, did the likelihood of tightening German monetary policy and the apparent willingness of Mr Nicholas Brady, the US trea-sury secretary, to talk the currency down during the G7 economic summit.

This raises two concerns for the bond market, both of which are likely to have most impact on the long end of the yield curve: one is a lack of enthusiasm among foreign investors, concerned about currency risk, for long-dated issues: the other is the threat of inflation implied by an effective dollar devaluation.

The latter need not, perhaps, be taken too seriously, given the generally weak state of the domestic economy. Yet the market refuses to put much faith in the long-term inflationary outlook, as underlined by the extraordinary slope of the yield curve, which is now so steep that one analyst calls it a "yield pole". The Democratic convention will do nothing to

Martin Dickson

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Floating Rate Notes

Dec 1994

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By: Morgan Guaranty Trust Company as Fiscal Agent

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Aeschenvorstadt I

CH-4002

Swiss Bank Corporation

Dated: July 13, 1992

#### AVESCO plc (incorporated and registered in England No. 1788363) NOTICE TO HOLDERS OF BEARER SHARE WARRANTS

Avesco pic ("the Company") has on 10th July 1992 posted to its registered shareholders the Annual Report and Accounts for the year ended 31st March 1992 Notice of the Annual General Meeting of the Company, to be held at Venture House, Davis Road, Chessington, Surrey KT9 1TT on Thursday, 20th August 1992 at 11,00 a.m., is included with the Annual Report and Accounts, copies of which and of the Forms of Proxy for use at the Annual General Meeting are available from the registered office of the Company or from the offices of County NatWest Wood Mackenzie & Co. Limited, the addresses of which are set out below,

OF ANNUAL GENERAL MEETING

important notice to bearers of share warrants: you will not be entitled to attend or vote at the Annual General Meeting unless your Share Warrant and a statement in writing with your name and address is deposited on or before Tuesday. 14 August 1992 at the offices of County NatWest Wood Mackenzie & Co. Limited, 135 Bishopsgate, London EC2M 3XT. The Share Warrant shall remain so deposited until after the Meeting or any adjournment thereof shall have been held. Registered Office: Venture House. By Order of the Board Davis Road, Chessington, Surrey KT9 177 N.S. CONN

Astent Bank

DATED 13th July 1992

Secretary

Corporation plc ecorporated with limit Bability in Ireland) ¥3,000,000,000

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Agent Bank
The Long-Term Credit Bank
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SAMSUNG SEMICONDUCTOR AND TELECOMMUNICATIONS LIMITED US\$30,000,000 FLOATING RATE NOTES DUE 1994 CIVAS 9 LIMITED U.S.\$50,000,000 GUARANTEED BY SAMSUNG ELECTRONICS COMPANY LIMITED For the six months from 10 July 1993 to 11 January 1993 the Notes will carry an interest rate of 61/26 per annum. The interest payable on the relevant interest paymeter, 11 January 1983, will be US\$2,697.92 per US\$100,000 Note. CHEMICALBANK

interest Rate 3.88063% p.a. Interest Period July 13, 1992 to January 12, 1993, Interest Payable per US\$100,000 Note US\$1,983,43.

**EUROPEAN BONDS** 

### Traders wait for next turn of the monetary screw

THE SPECTRE of German monetary policy looks likely to haunt European government bond markets this week ahead of the Bundesbank's regular biweekly council meeting on Thursday.

Investors have been anticipating lower German interest rates since the start of the vear but, so far, expectations have been misplaced. The Bundesbank has been more inclined to tighten policy rather than cut rates. By the end of last week, the market was bracing itself for another turn of the monetary screw. Stubbornly high money sup-

ply growth and consumer price inflation are the root causes of anxiety. The authorities' favoured measure of money supply, M3, is growing at a year-on-year rate of 9 per cent, gainst a target range of 3.5 to 5.5 per cent.

Most analysts think the Bundesbank will not raise either the discount rate or Lombard rate. However, it could still tighten money market conditions in an attempt to restrict broad money growth.

For example, increased reserve requirements for banks the amount banks must deposit with the authorities against loans - would increase the cost of credit. Alternatively, the Bundesbank could restrict the amount

banks can borrow in the money markets at the Lombard rate - at 9.75 per cent its emergency funding rate for the financial system.

The danger is that either move could squeeze money rates higher and possibly necessitate a hike in the Lombard rate anyway. Overnight money was already trading uncomfortably close to the Lombard rate last week.

Against this background, German bonds prices were virtually static. The benchmark 8 per cent Unity bond closed on Friday on a yield of 7.96 per cent, unchanged on the week. Moreover, nervousness did not prevent the Bundesbank from selling DM8bn in new bonds.

This underlines that higher

German interest rates could have a more serious impact outside the Federal Republic. For example, the strength of the D-Mark on the foreign exchange markets last week pushed sterling outside its notional narrow band limit against the German currency. Strains within the ERM have

already kindled talk of a sterling devaluation, possibly disguised by moving to a narrow band at a central rate below the current DM2.95. It is unlikely the glits market will prosper under these conditions.

Simon London over Libor for three-year

FT/ISMA INTERNATIONAL BOND SERVICE

#### SYNDICATED LOANS

### RHM looks set to refinance complex multi-option loan

RANKS Hovis McDougall, the money. However, commitment food processing group, looks likely to become the latest in a string of UK companies to refinance a complex loan facility arranged in the late 1980s with a simpler, relationship cransaction.

The company is replacing a £250m multi-option facility arranged in 1988 with a revolving loan syndicated among a smaller group of relationship banks led by Barclays.

The earlier five-year transaction provided RHM with funding at an interest margin just 12.5 basis points over the London interbank offered rate. Last week, banks were tight-lipped about the terms under which the new facility is

being offered. Bankers estimate that Interest margins have at least doubled - and in some cases trebled - since the late 1980s. However, companies feel they can achieve better terms by dealing with a smaller number of banks. Last year, for example, Grand Metropolitan

arranged a \$2.5bn four year loan to refinance an expiring three-year facility. The number of banks involved in the deal was cut from over 60 to 34: At 37.5 basis points over Libor, the interest margin was considered tight. In 1988. GrandMet paid 25 basis points

fees of up to 27.5 basis points made the new facility attractive to potential lenders and the deal was oversubscribed.

Elsewhere, Woolwich Build-ing Society increased from £100m to £150m its five-year revolving credit facility arranged by JP Morgan.

The 11 banks participating in the transaction include Abbey National, the former building society and residential mortgage lender. Abbey National is a rare participant in the syndicated credits market although it is large lender to the building society sector as a buyer of floating-rate and mortgagebacked securities.

Yorkshire Building Society is arranging a club loan from a small group of banks led by Fuji Bank. The deal was originally £50m but is likely to be increased to £75m this week Citibank and Banco Santander will lead a syndicate of banks to finance the \$1.25bn acquisition by Cemex, the Mexican cement company, of its Spanish rival Compania Valenciana de Cementos Portland.

The initial financing consists of a \$750m guarantee to back the tender offer and a \$800m bridge loan, which will be replaced by longer-deted fund-

Simon London

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#### THE WEEK AHEAD

**ECONOMICS** 

### Unease over Germany's next move

week as financial markets contemplate Thursday's Bundesmonetary policy in a further bid to damp demand pressures.

The strains in the European exchange rate mechanism likely to be caused by such a move could force other European nations to increase their own interest rates, at just the time when many would like to cut rates to stimulate growth.

In the UK, the weak demand due to the recession is likely to be underlined by tomorrow's release of the latest data on the prices of manufactured goods at the wholesale level. Producer prices are expected to have risen by 3.5 per cent in the year to June, from 3.6 per cent in May, illustrating the strong disinflationary pres-THE PARTY

On Thursday, news is expec- 1.5 per cent on year), May ted that the underlying machinery orders. Australia, On Thursday, news is expecincrease in average earnings . across the UK economy reached 6.75 per cent in the year to May, compared with 7

TENSION will mount this cation of declining inflation. The following are the highlights of releases of economic bank council meeting, which data over the next week. The may decide to tighten German numbers in brackets are median market projections. provided by MMS International, the financial information group.

Today: Belgium, European

Community finance ministers meet in Brussels. Switzerland, monthly-meeting of central bank governors from Group of Ten industrial countries, in Basie until Tuesday. Australia, May retail sales (down 1.2 per cent). Japan, June trade surplus (\$9.1bn). Spain, June consumer prices index (up 0.3 per cent on month, 6.5 per cent on year). US, May home comple tions. France, markets closed until tomorrow, for holidays.

Tomorrow: Japan, June wholesale prices index (down 0.2 per cent on month, down May housing finance. New Zealand, 2nd quarter consumer prices index. UK. May industrial production (down 0.3 per per cent in April, another indicent on year) and manufacturing output (down 0.5 per cent requirement (£3.5bn), June unemployment rise (25,000). on year, flat month-on-month), June producer prices index rise in average earnings in (flat month-on-month, up 3.5 May (6.75 per cent on year), per cent on year) and input manufacturing unit costs in prices for factory goods (flat May. US, June housing starts (1.2m) and building permits, month-on-month, down L1 per initial claims for week ending cent on year). US. June consumer prices index (up 0.3 per July 4, money supply figures cent month-on-month; exclufor week ending July 6 and ding food and energy, up by also for June. Canada, June consumer prices index (up 0.2 same amount). June retail per cent on month and 11.1 per sales (up 0.6 per cent on month; excluding cars, up 0.3 per cent), June real earnings cent on year). Friday: US, May merchan-

and car sales for July 1-10. dise trade deficit (\$6bn), Wednesday: Japan, May exports (\$36.5bn) and imports (\$42.5bn). Denmark, June conindustrial production. New sumer prices index (up 2.6 per cent on year). Canada, May Zealand, first quarter gross domestic product. France, June manufacturing data consumer prices index (up 0.2 During the week: Germany, June wholesale prices index per cent month-on-month, 3.1. per cent on year). Finland, June consumer prices index. US, June industrial production

(up 0.1 per cent on month). Italy, May industrial production (up 3.6 per cent on year), June wholesale prices index (up 3 per cent on year), June producer prices index (up 2 per cent on year), Japan, June money supply. Switzerland. June trade balance.

Peter Marsh

OWNERS ABROAD, the holiday company, is expected to announce half-year pre-tax losses on Thursday of between \$23.5m and £26m, compared to £21\_4m

payments in the second.

More eagerly awaited will be a statement on high season bookings and the dangers of continued discounting. A singuish sea-

Lords: British Coal and British Companies) Regulations. Parote Board (Transfer of Functions) Order, Debate on building fire

mone: Health question

son could signal another price

Tomkins, the industrial con-Tomkins, the industrial con-giomerate run by Mr Greg Huich-ings, is likely to report today an increase in pre-tax profits for the year ended April of around 15 per cent. The comensus forecast is \$131m sgainst \$112m a year ear.

Her.

The US continues to provide the group's growth, with the latest period benefiting from a fullyear contribution from Philipsindustries, now operating under

the umbrells of Tomkim Industries, the group's predominantly

(down 0.4 per cent month-on-

month) and capacity use in

Thursday: Germany, Bundes-

bank council meets in Frank-

furt, will consider new mone-

tary targets and whether to

tighten monetary policy. UK.

June public sector borrowing

industry (78.6 per cent).

US arm.
While the market is always interested in where Mr Hutchinterested in where Mr Hutchings' acquisition ambitions might take him next, he is unlikely to give many clues with the results.

Ellis and Everard, the chemical processor and distributor reporting today, has recently suffered a minor profit downgrading to around £13m pre-tax for the year ended April from £17.5m a year earlier. The downturn

reflects the recession and a likely exceptional charge.

Wednesday is Cider Day, with
Taunton Cider closing its share
offer and H P Bulmer (fioldings) oner and it is admire (monnings) producing its annual figures. The latter will have the better of it. Pre-tax profits at Bulmer have risen to about \$16m from \$14.4m thanks to growth of the UK mar-

ket. Although Taunton has enjoyed similar gains, its offer is unlikely to appeal right now to shareholders giving a wide berth to any new lasue.

Sill, second reading. Child Support orders. Council Tax

Benefit (General) Regulations

Benefit (General) Regulations, Horticultural Development Council (Amendment) Order, Data Protection (Regulation of Financial Services) (Subject Access Exemption) (Amendment) Order. Access to Personal Files (Housing) (Scotland) Regulations. Education (Assisted Places) (Amendment) Regulation. Debate on aid and arms sales to indonesis and human rights in

**UK COMPANIES** 

I TODAY COMPANY MEETINGS: Gieves Grp., English Speaking Union, 37, Charles Street, W., 12.00

Goldsmiths Grp., 4, Broadgate, E.C., 12.00 Norcros. Butchers Hall, Bartholomew Close, E.C., 12.00 PCT Grp., Gleddoch House Hotel. Renfrewshire, 12.00 BOARD MEETINGS: Finals:

Ellis & Everard Motthew Clark Multitone Elect. Tombins Interims: East German Inv. Tst. Trust of Property Shares

M TOMORROW

COMPANY MEETINGS: Finals: Ball (A.H.), 100, Wood Street, E.C., 10.00 Beris Hidgs., Baris House, Nunn Brook Road, Huthwaite, 12.00 British Airways, Barbican Centre Barbican, E.C., 12.00 Mitcham Road, Marton, Blackpool,

Courtaulds, London Marriott Hotel, Duke Street, W., 10.45 Foster (John), Black Duke Mills Queensbury, Bradford, 12.30 **Great Portland** 

Estates, Cafe Royal, 68, Regent Street, W., 12.00 Henderson Administration, 3, Finsbury Avenue, E.C., 12.30 Owen & Robinson, 10, Snow Hill, E.C., 11.00

Salvesen (Christian), Caledonian Hotel, Princes Street Edinburgh, 11.00 Young & Co's Brewery, Park Inn Intl. Lillie Road, Fulham, S.W., 4.00 ROARD MEETINGS Birse Rucknall Clarke Hoope Helton

Morris Ashby Pelican Prism Leisure Triplex Lloyd Wood (John) Interims: CNW

Eurotherm Low & Bonar Miskin **WEDNESDAY** JULY 15 COMPANY MEETINGS: Caffyns, Hydro Hotel, Mount Road, Eastbourne, 3.00 Finsbury Tst., Imperial Hotel, Russell Square.

Inn, Cambridge Street, Glasgow, 12.00 Johnson Matthey, 2-4, Cockspur Street, Trafaigar Square, S.W., 11.30 Penna, Orion House, 5. Upper St. Martins Lane, W.C., 10.00 Plysu, Tallow Chandlers Hall, 4. Dowgate Hill, E.C., 12.15 BOARD MEETINGS: Finals: Bulmer (HP) Dalepak Foods

W.C., 12.00

Inv., Tst., Hospitality

Denmans Elect. Tomorrows Leisure Wyko **THURSDAY** JULY 16 COMPANY MEETINGS: Airflow Streamlines, Northampton Moat

House, Silver Street, Northampton, 12.00 Gartmore Value Invs. Gartmore House, 16-18. Monument Street, E.C., 10.00 Heath (C.E.), 133, Houndsditch , E.C., 10.00

Mirror Grp. Newspapers, Queen Elizabeth II Conference Centre. Fleming High Income Broad Sanctuary, S.W., 10.30 Reed Intl., Savoy Hotel, Strand, W.C., 12.00 BOARD MEETINGS: Finals: Brasway Hampson Inds, Jones Stroud Moorgate Inv. Norbain Elect. Pesi Power Corp. Interims: Baring Tribune Inv.

Cardiff Prop. General Cons. **National Home Loans** FRIDAY JULY 17 COMPANY MEETINGS: British Inv. Tst., 4,

Melville Crescent Edinburgh, 11.30

British Land, May Fair Hotel, Stratton Street, W., 12.00 Eagle Tst., National Motorcycle Museum, Coventry Road. Bickenhill, 11 00 lyory & Sime. Caledonian Hotel, Princes Street. Edinburgh, 12.30 Marks & Spencer, Grosvenor House Hotel, Park Lane, W., Readicut Inti., Institute of Directors, 116, Pail Mall, S.W., 12.30 Thorn EMI. Grosvenor House Hotel, Park Lane, W., 11.30 Vosper Thornycroft, Woolston, Southampton, 2,30 British Bloodstock Jacques Vert Interims: Aberforth Smaller Co's Crosvenor Dev. Cap.

Company meetings are annual general meetinas unless otherwise stated.

Pf. Ser.A \$0.49875

St. Andrew Tst.

Selective Assets Tst.

RESULTS DUE

and East, compared to 221 am list time.

The figures in themselves are of little interest. Holiday companies have large costs in the first half and receive most of their

PARLIAMENTARY DIARY

Comments Overtions to National Heritage Secretary and Chancellor of the Duchy of Lancaster, Debate on report of select committee on sittings of the House. Debate on select Rail (Transfer Proposale) Bill, second reading. Companies (Single Member Private Limited

safety rules.

nister. See Fish (Conservation) Bill, remaining stages. Badgers Bill, sil stages. Trade Union and Labour Relations BRI, all stages. Tribunals and inquiries Sill, atl stages. Debate on MPs' office costs allowance. Lorde: Finance Bill, all stages.

Debate on EC report on Community enlargement. Summer Time Order. Debate on protection against discrimination to ethnic minorities in EC.

and Commonwealth Office. 4.15pm; committee room 15.

Lorder Debatos on industrial

Committee: European legislation. Subject, UK presidency of EC. Wilness: Mr Tristan Garol-Jones. minister of state for the Foreign

WEDNESOAY

COMMUNIC Environ questions. Human Fertilisation and Embryology (Disclosure of information) Bill, all stages. Education (Assisted Places) (Amendment) Requistions, VAT

policy and the famine threat in southern Africa. Civil Rights (Disabled Persons) Bill, report. Debate on recruitment policies of People's Dispensary for Skik Animals. THURSDAY

none: Short backbench

Lands: Boundary Commissions

(Both Houses rise on Thursday for the summer recess, return on Monday, October 19.)

**DIVIDEND & INTEREST PAYMENTS** 

21.75

06.25

Do. A 5.7p

Do. N/Vtg. 7.5p

23.125 Albert Flaher 1.85p

Ln. 2011 £4.9375

2010 £6.00 BCE \$0.65

Caffyna 6.5p

Chrysler Corp. \$0.15 Churchbury Estates 4.2% Cm. Pf. 2.1p

TODAY Barlow Rand R0.54 Briston Estate 5.2p Commonwealth Bank of Australia Und. Fitg. Rate Nts. (Feb. 1989) \$209.81 East Surrey Hidgs. 8p European Project Inv. Tst. 0.473330

Hongkong & Shanghai Bank Prim, Cep. Und. Filg. Rate Nts. (Ser.3) \$55.3 Land Securities 15.75p Marine Midland Fin. Gtd. Fitg. Rate Sb. Nts. 1994 \$13.27 MBE Finance Ser.A Gtd. Dumi Benie Bd. 2001 5200.00 Do. Ser.B \$224,97 Nat West Bank Prim. Cap.

Fitg. Rate Nts. Ser.A \$211.7 Northern Indl. Improvement Tat, 8p Perpetual 1.2p Raiston Inv. Tat, 1.275p Rolls-Royce 4.7p Smart (J.) 2.3p Smith (J.) Estates 2.5p Tiger Oats R0.28 M TOMORROW BZW Conv. Inv. Tat. 1.5p 1996/2002 1,669333p Danka Business Systems 2.5p

Clarke Foods 8% Cv. Un. Fluor Corp. \$0.10 Foster (J.) 0.5p Funding 3 2 % 1999/2004 Ln. 1997 £4.00 Drayton Recovery Tst. 2p Edinburgh Inv. Tst. 34, % Db. 1998 E1,675 wden Stuart 2.285p Evode Cv. Cm. Pl. 3.5p M & G Second Dual Tal. Finsbury Tat. 1.8p D0. A N/Vtg. 1.8p Treasury 1212 % Ln. 1993 Govett Strategic Inv. Tst. 1038 % Db. 2016 £5.1875 Treasury 13% 2000 £6.50 Great Portland Estates Wilkes (J.) 5.25p York Waterworks 5.7p

6.6p Haillex Bidg, Society Fitg. Rate Nis. 1995 0262.02 Helical Sar 51, % Cv. Rd. Pf. 2012 2.625p Hewiatt-Packard \$0.20 Inco 151, % Un. Ln. 2008 Young & Co's Brewery A M WEDNESDAY JULY 15 Agricultural Mortgage 5½ % Db. 1993/95 52.75 Do. 6¼ % Db. 1992/94 E7.4375 Ireland (Rep. of) 9% Gvt. Bd: 2001 IRE4.50

Lesmo 9 % % Cm. Rd. Pf. 1996 4.8125p Lucas Inds. 10 % Un. Ln. Am. Medical Int. 97 % Un. ASDH Cap. Fin. 912 % Cv. McKechnie 5p Cap. Bd. 2006 4,75p Barclays 12% Un. Cap. Ln. Morgan (J.P.) \$0.545 Molerela \$0.19 Bradford & Singley Bidg. Society Fitg. Rate Nts. 1999 9262:35

Murray Int. Tsl. 3.9% Cm. North Surrey Water 4% Norm Surrey Water 4% D5. 62.00 Do. 4<sup>1</sup>4 % Db. 62.125 Do. 5<sup>1</sup>4 % Db. 52.625 Do. 7<sup>1</sup>4 % Rd. Db. 1991/ 93 63.625 Occidental Petroleum \$0.25

Perkins Foods Cv. Rd. Pt. Quebec Central Railway Cap. £2.50 Royal Tal. Gvt. Sec. Fd. Inc. Ptg. Rd. Pf. 1.3p Seiyu 6.15% Bd. 1997 Y164,000 SmithKline Beechum A Do. Equity Units \$0,4877 Sweden (Kingdom of) 11% Ln. 2012 £550.0 Toligate Hidgs, 14% Sb. Cv. A Db. R3.50 Do. S R3.50

Pacific Gas & Elect \$0.44

Treasury 91<sub>2</sub> % Ln. 1999 24.75 Witan Inv. 3.4% Cm. Pf. 1.7p E THURSDAY JULY 16 Aberdeen Tat. 1p Anglo & Oversess Tat. 41<sub>2</sub>% Cm. Pf. 1.575p Bank of Scotland 2.65p Delyn 1p

Drayton English & Int. Tst. 0.6p European Inv. Bank 9% Ln. 2001 £225.0 Finlay (J.) 2.15p Henderson Admini McLeod Russel 2.75p Nat West Bank Non-Cm.

Piysu 4.35p Suzuki 6% Bd. 1996 Y163,333 Treasury 812 % Ln. 2007 £4.25 Tronoh Mines Malaysia M\$0.30 FRIDAY JULY 17 Avon Rubber 5p Barings Gtd, Fitg. Rate Cap. Nts. 2001 \$252.78 Body Shop int. 0.92p Craig & Rose 12.5p Daily Mail & Gen. Tst. 32p Do. A NVNg. 32p Devanish (J.A.) 1.5p Mid Southern Water 2.6p Do. NVNg. 2.6p Sanwa Int. Fin. Gtd. Fitg. Rate Nts. 1993 \$2230.76 Spandex 4.1p reasury 212% I.L. 2024 £1.7354 Westbury 5.75p Young (H.) 2p MISATURDAY JULY 10 Throgmorton Qual Tat.

M SUNDAY JULY 19 Exchequer 9 4 % 1998 €4,875 Treasury 2% J.L. 2006 £1.95

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U.S. \$50,000,000

Floating Rate Subordinated Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that for the interest Period from July 13, 1992, to Jenuary 13, 1993 the Notes will carry an interest rate of 5% per annum. The interest payable on the relevant interest payment date, January 13, 1993 will be U.S. \$127.78 per U.S. \$5,000 Note.

By: The Chase Manhettan Bank, N.A. London, Agent Benk





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July 13, 1992

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Agent: Morgan Guaranty Trust Company **JPMorgan** 

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The Yasuda Trust and Banking Co., Ltd. London Agent Bank

US \$300,000,000 BankAmerica Corporation Floating Rate Notes Due February 1997

For the period from July 13, 1992 to August 19, 1992 the Notes will carry an interest rate of 3.8125% per annum with an interest amount of US \$195,92 per US \$50,000 principal amount of Notes

EUROMOL B.V. Interest Parts 3.65% p.s. interest Period July 13, 1982 to October 13, 1992. Interest Payable per US\$10,000,000 Note US\$83.533.33. July 13, 1992: London By: Catonik, N.A. Danier Senicary, Agent Best.

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LONDON BRANCH
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The Salarra Bank Ulrofted Tidiyo Agest Nask Dated: 13th July, 1992



BRADFORD & BINGLEY £150,000,000

Rosting Rate Notes Due 1997 In accordance with the terms and conditions of the Notes, the interest conditions of the lockes, the interest rate for the period 10th July, 1992 to 12th October, 1992 has been fixed at 10.1425% per annum. The interest payable on 12th October, 1992 against Coupon 8 will be £250,46 per £10,000 nominal.

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Under current plans, the project would include the following elements:

• new (interim) tourist-and intercontinental terminal new passenger terminal with retail shops and restaurants

• "airport city" development (offices, hotel, shops, atc.) • carpark

• aircraft parking areas · sireraft malidenance conter

air treight terminal

 catering favillies access to public road and railways

control towns

workshops and service areas

• general aviation facilities

· airport related infrastructuré works The contracting authority welcomes expressions of interest to finance, construct and/or operate

all or part of the project\*. Interested parties should contact Berlin Brandenburg Airport Advisors (BBAA) to obtain further information and a Request for Qualifications. Statements of interest and qualifications must be received by BBAA no later than August 22, 1992 (not applicable to financing):

Berlin Brandenburg Airport Advisors c/o Bertin Brandenburg Flughaten Holding GmbH Flughafen Schönefeld O-1189 Berlin Schönefeld Federal Republic of Germany

Telefax: 49 (30) 564 88 63

Berlin Brandenburg Airport Advisors c/o Goldman Sachs International Limited Peterborough Court, 133 Fleet Street London EC4A 2BB Great Britain Telefax: 44 (71) 774 41 23

For further information, call Wallace Turbeville and John Kramer at 44 (71) 774 41 73 or Gustav Greve and Sasha Page at 49 (30) 885 920 12 or at 49 (30) 678 72 104.

\*Notices for concessions and works in connection with this project were dispatched to the Official Journal of the European Communities on 30, June 1992. BERLIN BRANDENBURG AIRPORT ADVISORS (BBAA)

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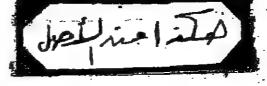
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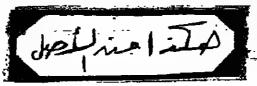
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FT MANAGED FUNDS SERVICE

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● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 35p/minute cheap rate and 48p/minute at all other times. To obtain your tree Unit Trust Code Booklet call 071-925-2128

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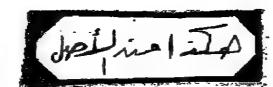


### FT MANAGED FUNDS SERVICE

	FINANCIAL TIMES MONDAY JULY 13 1992		19
		FT MANAGED FUNDS SERVICE	Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your tree Unit Trust Code Booklet call 071-925-2128
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#### CURRENCIES, MONEY AND CAPITAL MARKETS

### FOREIGN EXCHANGES AND MONEY MARKETS Will they tighten?

AFTER one of the most turbulent week's on the foreign exchange markets this year, dealers are focused on one issue: whether the Bundesbank will tighten monetary policy at its council meeting on Thursday, writes James Blitz.

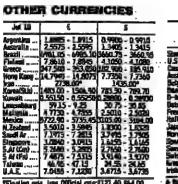
UK clearing bank base tending rate 10 per cast from May 5, 1992

There are strong indications of a feverish behind-the scenes debate among Bundesbank members over the issue, and every chance that a tightening will take place. Those council members in favour will argue that M3 money supply now shows annual growth of around 9 per cent against around 9 per cent against an annual target range of 3.5 to 5.5

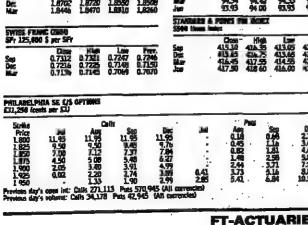
credibility. He believes that out until Thursday afternoon.

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there is some chance that the
Bundesbank will impose limit
on the amounts of funds that
could be borrowed by banks a
the Lombard rate. "But there is
The Permanent Lanet Date Street P
a danger that such action
could result in higher money
market rates and eventually
force the Lombard rate to
rige "

But Mr Mark Cliffe, chief economist at the Nomura research institute in London, says that a rate rise could exacerbate the growing money supply. "If events follow a similar course to the last two rate hikes and long yields fall," he says, "the effect on long term credit demand could actually be expansionary. Moreover, the effect on long term capital formation will be contractionary, with short term investments becoming even more attractive."

What will the Bundesbank do? Mr Gerard Lyons, chief sconomist at DKB International says the Germans are unlikely to alter the M3 target for fear of losing and this international says the control of the market will have to sit this one

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FT-ACTUARIES V	WORLD INDICES	ì

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS			FR	DAY JU	LY 10 19	92			·	THURSE	AY JUL	9 1992		DOL	LAR NO	EX
Figures in parentheses show number of lines of stock	US Dollar Mdex	% chg (\$) since 31/12/91	Pound Starling Index	You Index	DAR Index	Local Currency Index	Local % chg from 31/12/91	Grace Div. Yieki	US Dodar Index	Pound Sterling Index	Yee · Index	DM ledes	Local Currency Indux	1982 High	1982 Low	Year ago (approx)
Australia (69)	145.80	-3.5	112.34	115.41	113.20	129.86	-1.6	4.20	145.28	113.57	115.39	114.73	129.77	153.86	140.94	142.68
	166.79	+0.2	128.59	132.22	129.68	130.49	-0.5	2.24	168.09	131.41	133.51	132.75	131.63	186.70	162_48	175.75
Austria (19)	149.15	+3.3	115.09	118.22	115.97	113.29	+1.8-	5.43	146.24	114.33	118.15	115.49	112.52	149.16	135.87	126.64
Belgium (42)	128,66	-5.f	99,27	101.98	100.03	111.01	-27	3.20	128.09	100.13	101.73	101.15	110.65	142.12	124,32	. 139.93
Canada (115)	244.22	-8.6	188.44	193.59	189.88	191.49	- 10.8	1.83	240.58	188,07	191.08	189.99	190.27	273.94	226.81	248.93
Digatition of Josephanes	78.88	+1.1	60.86	62.53	61,33	67,96	+0.4	2.08	78.18	61.11	62,10	61.74	67.58	89.80	73.64	94.34
Finland (15)	163,16	+8.5	125.89	129.32	126.85	129.18	+5.6	3.62	180.80	125,71	127.71	126.98	129.21	168.75	148.06	126.64
France (104)	125,29	+ 9.9	99.53	102.26	100.29	100,29	+8.4	2.30	127.10	99,38	100.97	100.37	100.37	129.32	114.67	106.72
Germany (65)	252.27	+43.0	194.65	199.97	196.15	250.54	+422	3.28	250.18	195.58	198.70	197,58	248.46	259.55	176.36	163.50
LIGHT LEADING LOADS	158.62	-5.5	122.38	125.73	123.32	125.42	-7.3	4.33	155.20	121.53	123.27	122.56	124.00	173.71	151.78	140.45
Halstin Lohmin	88.50	-9.1	52.85	54.30	53.26	57.91	- 10.4	3.61	66,03	51,62	52.44	52,14	56.86	80.86	68.03	72.52
Italy (78)		- 28.0	77.52	79.64	78.13	79,64	-25.8	1,07	100.39	78.48	79.73	79.29	79.73	140.95	8B.70	128.86
Japan (473)	100.47	+ 15.7	191.25	196.47	192.71	238.80	+6.4	2.82	244,48	191.10	194,15	193.05	235.32	250, 18	212.49	225.92
Molavela (69)	247.87			1105.48	1084.33	4732.26	+2.3	- 1.27	1385.96	1083.47	1100.80	1094.53	4718.75	1789.77	1355.22	1092.84
Mexico (18)	394.63	+0.2	,	131.29	128.78	127.49	+7.1	4.40	163.35	127.70	129.74	129.00	127.56	165,82	147.88	132.96
Netherland (22)	IOULGE	+8.5	127.79	37.41	36.69	45.88	-0.6	4.95	47.62	37.22	37.82	37,60	46,35	48.52	42.01	48.14
New Zealand (14)	47.19	+0.4	36.41		134,92	138,91	-40	1.82	189,17	132.25	134.37	133.60	138,05	192.95	161.26	193, 12
Norway (23)	173.53	-29	133.89	137.56	171.74	164.49	+0.3	2.02	220.83	172.63	175.40	174.39	184,30	229.53	192.76	191.84
Sincepore (38)	220.89	+0.5	170.43	175.09		174.98	+1.1	2.95	197.04	154.03	156.49	155.60	173,48	263.60	197.04	253.76
South Atrica (61)	203.93	- 18.1	157.35	161.65	158.56	109.31	-4.6	5.37	150.46	117.62	119.50	118.82	109.65	181.72	146.86	142 02
Spain (49)	151.41	-3.2	116.83	120.02	117.72		+5.3	2.60	190.04	148.57	150.95	150.09	154.60	200.28	173.00	191.87
Sweden (29)	195.27	+7.8	150.67	154.79	151.83	156.53		2.27	109.96	85.96	87.34	86.85	93.86	113.51	95.99	90.82
Switzerland (63)	112.33	+11,9	86.67	89.05	87.35	94.43	+ 12.0						147.68	200.07	165.85	164.21
SWILE IAIR (OU)	190.88	+3.0	147.28	151.29	148.39	147.28	+0.3	5.03	188.91	147.68	150.03	149.17	168.62	171.66	160.92	153.94
United Kingdom (227) USA (522)	168,79	-0.6	130.23	133.80	131.24	168.79	0.6	2.96	168.62	131,82	133.93	133.17	100.02			
	154.25	+4.4	119.02	122.27	119.94	120.19	+23	4.02	152.05	118.87	120.77	120,08	120.09	156.88	139.31	132.03
Europe (790)		-1.5	139.62	143,44	140,70	138.65	-3.6	2.27	176.92	138.31	140.52	139.72	137,14	188.52	169.66	184.77
Nordic (102)	180,96	-21.9	82.64	84.91	83.28	86.20	-21.5	1.44	108.94	83.60	84.94	84.46	86.22	141.97	94.40	130.12
Pacific Basin (718)	107.11		97,35	100.01	98,10	100.25	-11.8	2,70	125.19	97.87	99.42	98.86	100.22	145.21	113.80	131.20
Euro - Pacific (1508)	125.17	- 10.9		131.81	129.30	164.86	-0.7	2.97	166.07	129.33	131.92	131.17	164.67	169.69	158,70	
North America (63/)	156.27	-0.9	128.29	104.65	102.65	104.43	+3.8	3.30	129.74	101.42	103.07	102.48	104.08	132.30	121.81	112.61
Europe Ex. UK (563)	132.00	+5.5	101.85	136.73	134,11	153,87	+14.3	3.48	171.51	134.08	136.25	135.48	153.07	175.31	149,00	142.46
Pacific Ex. Japan (245)	172.47	+ 15.0	133.08			102.56	-11.1	2.71	126.83	99,15	100.74	100.16	102.50	146.91	116.45	133.33
World Ex. US (1702)	127.87	- 10.8	\$8.66	101.37	99.42	120.43	-7.9	253	135.33	105.80	107.50	106.89	120.29	150.56	127.21	136.88
World Ex. UK (1997)	135.96	-8.1	104.91	107.78	105.72	122.44	-7.2	2.81	139.63	109.16	110.92	110.26	122,35	153.05	130.04	138.51
World Ex. So Al. (2183)	140.33	-6.8	108.28	111.25	109.12		+1.1	3.37	162.11	126.73	128.77	128.04	147.64	185.40	159.20	146.12
World Ex. Japan (1751)	163.21	+1.5	125.93	129.38	125.91	147.84										
	140.70	-7.0	108.56	111.53	109.40	122.92	-7.1	2.81	139.95	109.41	111.17	110.54	122.63	158.70	130.68	139,28

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local).

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Constituent changes during the week ending 197/1922 Additions: Essette A (Sweden) and Praxitir (USA). Deletions: Ereros (Spain), Leu Holdings (Reg.) (Switzerland) and Sea Containers (USA). Constituent changes with effect from 1477/92: HSBC Hidgs, will be deleted from Hong Kong and Midland (Switzerland) and Sea Containers (USA). Ord.75p and HSBC Hidgs. HK\$ 10 will be inserted into the UK.

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	1 Paternester Raw, ECAN 7DH. 071-248 4800	Sterling Bank & Trust Ltd Abbry Goss, 6 Abbry St. Russing RS1 38A HIDA E2,500+, 110.00 7.50		92543
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_	Lico 000+	Motted Descriptions Trust Ltd PD Box 135, Abbey St. Reading RG1 3EB	0734 5	6041L

MONEY MARKET FUNDS

TORYO  Gae month Bills  Three month bills  BRISSELS  One month  Three month  Three month  Three month  Three month  Three month	44 92 92 93 9.46 9.46	4	Saternession Miss. Dien miss, Interbasis. Tilrae mesels ULAE Ome moods Tilrae moods UNLUM UNLUM Tilrae moods Tilrae moods	154 154 154 169	"	Pathinter - Card All Bathanas The Tier - Detail 120,000	9.00 8.50 7.77 3.00	20 10.001 - 75 9 20 - 20 8.00 - 44 7.10 - 55 3.02 -	114 Neverth St., High let Creese & Highest Greec C. Liding accessed of Net-Rate of lates of steps and accessed to the accessed that once a year than once a year.	contracts at rate of the deposition of the second of the s	071-606 9 041 immed payable silt sate minima liewing for dedu Gress rate
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		diely	duly	July	July	July	July	19			mpliation
		10	8	8		6	3	tligh_	Low	High_	Low
Government Secs.		29.68	89.72	89.62	EU 04	59.72	19.75	89.75	85.11	127.4	49.18
Fixed Interest		105.22	106,15	106,10	106.32	106.35	106.26	105.35	97.15	106.35	50.53
Ordinary		1903.7	1913.9	1891.1	1906.2	1891.0	1915.5	2149.7	1851.4	2149.7	49.4
Gold Mines		84.0	83.8	83.0	86,6	89.5	90,1	150.6	83.6	734.7	43.5
FT Act All-Share		1195.10	1198.25	7109.35	1199,37	1190.41	1204.25	1325.36	957.46	1326.38	61.92
FT-SE 100		2490.8	2497.9	2472.8	2493.7	2489.0	2497.1	2737.8	2382.7	2737.5	986.9
FT-SE Eurotract 10	20	1129.14	1128.17	1121.53	1129.63	1134.09	1142 18	1199.58	1078.19	1199.58	900.45
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- 1	WRITISH FUNDS			MINTER FUNDS - Co	mt.		BRITISH FUNDS - Cont.
	WAN	Anni Istori I	Last Chy		Fit & April Interest	Last City	Whi & Appl Impred Last City
- 1	Manua Prince IT (Commis		<b>-</b>	Notes Price E d		and fine	Hotel Price E change Em dus Ad line Conv 3 to pc 161 Art. 82.5 -4 127 April 0c1 34.2 1243
	"Sheris" (Lives up to Five Years			Trees 1012 pc 1999 18733	-1 1,252 NV19 NV19	18.4 1288	Tress 3or 66 Att 32% 04 64 Ap5 0c5 23 UZA
			MLT 1265	Convention 10 laps 1998. 106 lp	-1 1,000 Myzz Myzs	15.4 1242	Consols 2 to nt
			14.2 1266	95 2000 C 100 U	-1 KIM SKI UKS	27.1 1244	Trees 212 pt 273 -6 476 Apt Oct MAI (315
	Theas 8 4 pc 1993 90{}		ts 1 50 (7	9% 2000 C 100 ]/ Treas 13cc 2000 120 17	1,860 M/3 Se3	881295	Index - Linked
-			13 1279	10ex 2001 185 %	-2 4.189 Au25 Fa26	38.1 1280	(b)
			M 1296	14ac 98-011385	-1 978 M-22 M-22	13.4 1206	Treas. 2pc 94102.91 127 500 Nv16 My16 9.4 5070
ē	Funding Spc 1983;; 574, -1 Trees 133; or 1983;; 1863, -2		7.2 1276 N.J. 1201	9 % pc 2002 105	5.721 Fig.1 N/G?	21,11349	25 oc 71 (76.3) 144.3 -1 1.150 M/16 Se16 16.2.131.3
. 1			10.A 1304 20.8 4871	9 % p 2002 C 165	LINE FAIT AVET		2½ pc 01
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			HI LINE	10pc 2003 B 107,3	~2 DEC 100 Dec		212 pt 109 [78.8] 134 1,180 Nv20 Llv20 18.11518
			\$3 1284	Trees 11 to pc 2001-64 115 to	-2 1,435 3/14 16/19	11.2 1290	212pc 11
2	Ends 1252 pc 1994 106 -2	1,340 Fe22 Av22 1	10.1155	Funding 312 pc '99-04 86 13	0.7 463 Ja14 Jy14	8.6 1274	2 to ac 16 (01 0) UT(N 0 1,820 ,526 ,925 19.5 1321
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- 1			<b>5.3</b> 1271	Treas 1212 pc 2003-06. 12313 Auc 2002-0611	-1 1,890 And Oct	2,31,334	4 lape 30st (135.1) 99% -1 Sun Jy22 Ja16 - (b) Figures in parentheses show RPI base for indexing, (i.e. 8)
•			15.6 1254	44 2002 4011	71 COM 100 DO	SS (304	months prior to Issue) and have been adjusted to reflect rebasing
	Times 1234 pt 1995ct 11033		EA 1205 (E.S. 1205	San Maria Varia			of RPI to 100 in January 1987 Conversion factor 3.945, RPI for December 1991 135 7 and for June 1992: 139.3
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Bank of Capres	10	Robert Fraser & Plans
Bank of Iroland	70	Girotaek
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Rant of Scotland	10	Habit Bask AG Zurkin
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22	FINANCIAL TIMES MONDAY JULY 13 1992
AMERICANS	BUILDING MATERIALS - Cont. CONTRACTING & CONSTRUCTION - Cont. ENGINEERING - GENERAL - Cont. HOTELS & LEISURE - Cont. INVESTMENT TRUSTS - Cont. Wind Div Division Last City Wind Div Division Last City Wind Division Last City
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INVESTMENT TOHETS	LONDON SHARE SERVICE	
Note	OIL & GAS  PACKAGING, PAPER & PRINTING - Cont  WAS DV De Diederd Last Chy  Notes Price of type not can, gold and last last chy met can, gold and last last last chy met can, gold and last last last last last last last last	STORIES - Conf.   Wide   De
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Warrants 94 - 0.18 9572 19 - Feb Aug 97 3419  BLF Findings Jup Y 115 -9 - 72.4 2888 Ebbel 25 0.5 - 0.5 26.7 2435 0  Findings Jup Y 15 -9 - 134 - 2565 William House 7th -11.3 E.55 1.5 Jan Jul 25.5 246 0  JF Indonesia 54 2 7.9 - 22.5 74.0 CV PT 75 74.5 - Jup Out 24.2 5163 0  JF Japan OTC Inc. 287 - 28.2 - 1378 Williamonopy 44 -2.2 4.8 24 Jup 289 24.2 5163 0	Lating Core   12 - 11.1   32   4.38   - Jan Dec   4.5   532   547   542   548	THANSPORT  TRANSPORT  THANSPORT  THE TRANSPORT  THE
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MONDAY INTERVIEW

## Keeper of Germany's peace

General Klaus Naumann, head of Germany's combined military forces, talks to Quentin Peel

mann, the first man to be appointed Inspector-General of a united German Bundeswehr since unification, is acutely conscious that his most immediate challenges are social and political, as much as military. Other countries, such as Britain or France, may take their armed forces for granted. Germany does not.

"Germany is living in a special situation which many peo-ple do not quite understand," he says. "In the 1950s, the reason for re-armament so shortly after the war, and after the misuse of military power by a totalitarian government, was the Warsaw Pact. The threat was obvious. And now it does not exist.

You British do not have such dramatic demolitions in your history. You have always grown up with the idea that there are British forces. But there is a great hole in our history about what constitutes

a 'normal' military force. "It is not a question which interests the simple man in the street, but is rather for the intellectual upper classes. They have a rather idealised view of international politics, that you can somehow tackle all problems without using military force.

'i understand these people. but it does not correspond to the reality of this world. I would say rather that those who are unarmed, and have no defence policy, cannot pursue any policy at all."

Two months ago, at a convention in Leipzig of more than 400 of his most senior officers, Gen Naumann delivered an extraordinary speech.
Parts of the German military

had become injected with "idleness, paralysis and even arrogance", he charged. There was had succumbed to "whining and despondency". It was intolerable, and it had to ston.

If the Germany armed forces were asked tomorrow to take part in a major international peace-keeping exercise, he said, they would not be ready to do so "from a standing start". "Haven't we allowed our-

selves over the years to put on a bit of fat, to grow a little rusty?" he demanded. It was a devastating performance, by a normally most

mild-mannered man. Gen Naumann was catapulted into the position of Inspector-General last October after only six months as a corps commander and ahead of

port and the law are not natural bedfellows.

rules of the game and codes of

in the third test match at Old

Trafford with England amply

game stray from imposing

instantaneous decision-making

on the field of play according

to simple rules, they flounder

in providing any kind of satis-

faction to players, the instant audience and the wider sport

Traditionally, all sports have

been controlled by a referee or

an umpire (two in cricket) who

interpreted the rules of the

game with an unfettered dis-

cretion and without any ques-

tioning from those ruled upon.

Until recently, a batsman

given out accepted his fate

gracefully and departed the

crease instantly; the most that

he might do would be to stand

his eround while umpires con-

ferred on whether a catch had

Nowadays, however, dissent

creeps into the game. Modern

technology in the form of

action replay on a television

screen provides the instant or

delayed opportunity for demon-

strating the incorrectness of an

umpire's decision. And the

commercialism of the sport,

upon which so much depends

for individual players, serves

only to feed the appetite for

challenging the verdict. Since

the umpire's decision cannot

sensibly or in practice be

loving public.

been made.

When the administrators of a

Where they do meet, in

the enforcement of the

eneral Klaus Nau- several more senior men. He is quite unlike any carica-ture of a Prussian army officer one might expect from the German military. He is a slight man, soft-spoken, with rimless spectacles and alert, friendly eyes. He is obviously intelligent, and certainly not very frightening. At least, not until he spoke in Leipzig.

He was the personal choice of Chancellor Helmut Kohl. who had come to know him as his main military adviser during the two-plus-four negotiations between the two Germanies, and the four wartime allies, which led to German unification in 1990. At that time he impressed for his grasp of the issues, but also for his willingness to speak out.

He was also adviser during the Gulf War, when German prevarication over the use of force against Iraq, and its inability to participate in the operation, was widely seen as very damaging to the country's international credibility.

Gen Naumann made no secret of his concern to the Chancellor, Germany could not go on "paying but not partici-pating," he said. It clearly struck a chord.

He has taken over the top position in the Bundeswehr at an acutely sensitive moment. The immediate problems are three, but behind them lies another, much more fundamental. The first is to reduce the size of the armed forces to 370,000 men, compared with 495,000 in the West German military alone before unification. The second task is to dismantle the former National People's Army of East Germany and integrate its remnants into the Bundeswehr, including some 2,000 of the officer corps. And the third is to carry out both those actions at a time of hefty budget cuts.

there is grumbling in the ranks. More important, however, and an issue of which Gen Naumann is acutely aware, is the loss of the Bundeswehr's sole raison d'être: to defend Germany against the visible threat of the Warsaw

Pact on its borders. Gen Naumann knows that he has to persuade not just public opinion, but also his own officers and men, that they have a vital and valid role in the post-Cold War world.

There is a strong neutralist tendency, albeit a minority one, within the German body politic. It is the reason why the German constitution is interpreted as forbidding the use of

JUSTINIAN

tinue to rankle and to cause

friction both on and off the

Alongside the beightened

importance of winning and not losing is the complication of

the rules under which the

game is played. The interpreta-

tion of rules about bowling

bouncers led the Pakistan fast

bowler, Aqib Javed, to exhibit

petulance towards umpire Roy

Palmer when warned (as the

umpire was empowered to do)

for intimidatory bowling at

Devon Malcolm, his opposite,

unprotected number 11 bats-

In days gone by, any such

impetuous dissent would have

been passed off as of no

moment or the howler's cap-

tain would have intervened -

not as Javed Miandad did, to

take up his team mate's cud-

gels - to administer a friendly

warning that untoward behav-

iour on the field was not tolera-

ble. Any disciplining of a

player by his captain or team

manager would have been dis-

But cricket captains nowa-

days are sometimes less com- Javel's unseemly outburst at

pensed later, off the field.

The appealing laws of cricket



#### 'Germany is living in a special situation'

German troops outside the Nato area. "Everyone seems to have the idea that the constitution forbids the use of German troops outside [the Nato] area. It is not true," Gen Naumann says. "But it is a political reality." He is seeking to define a new role for the Bundeswehr which would include out-ofarea operations.

His speech at Leipzig was far more than a reading of the Riot Act to his top commanders. It was also a far-reaching attempt, from a military per-

#### PERSONAL FILE

1939 Born in Munich. Joined Bundeswehr Colonel, on staff of Ger-

man military representative, Nato military committee, Brussels. 1984 Brigade commander,

armoured infantry brigade, Ellwangen. 1986 Brigadier, department head, force planning, general staff, Ministry of Delence.

Major-General, head of defence policy and operations staff, Ministry

1990 Adviser in two-plus-four negotiations before Ger-

eral, commender, first German corps. October 1991 Inspector-General of the Bundeswehr.

spective, to redefine the strategic priorities for the German armed forces.

They must no longer think in terms of confrontation, he said. The collapse of the Communist empire meant that the immediate threat of attack on Germany had been removed. But the uncertainties, and the instability in nearly-neighbouring countries to the east, had increased enormously. He believes that Russia will not succeed in destroying its arsenal of chemical and tacti-

manding figures than of yester-

year. We may mourn the pass-

ing of the days when umpires

and captains were able to

maintain order on the field,

and players contained any

frustration they might have felt at wrong decisions. After

all, there is usually a law of

averages operative in which

one player given out is likely

to be balanced by a team mate

being lucky to survive a just

Those halcyon days can be revived only if the administra-tors of cricket stand firm and

proclaim that the umpires

have absolute control of the

game, including if necessary,

the power to send the player

off the field for any serious

infringement of the rules of the

But, alas, cricket administra-

tors have responded predicta-

bly to some process of adjudi-

cation external to the play. In

doing so, they have failed to

appreciate what regulations

and rule enforcement can use-

fully provide to assist an

orderly game. They have not heeded the advice which law-

yers could give. The interna-

tional cricketing authorities

have adopted a familiar tech-

nique of appointing a match

referee who may conduct a

post mortem on some incident

that has not been immediately

resolved on the field. Hence

Conrade Hunte, a well-re-

spected West Indian cricketer

of the past, had to pronounce

on the propriety of Roy Palm-

er's umpiring decision on

intimidatory bowling; Aqib

game or other misbehaviour.

cal nuclear weapons before the year 2000. Nobody can be sure that Russia will remain politically stable for that long.

whose first purpose will be to

serve the WEU, and only sec-

That is a very sensitive point, above all for the US. Gen

Vaumann insists there should

be no conflict. "Everything we

do should be directed to

strengthening the European

effort, complementary to Nato

and compatible with Nato. We

don't want to build any sepa-

He is equally adamant on the

question of setting up a new

German national military com-

mand structure, in the unified

and now sovereign Germany. It

is a reorganisation which may

even do away with his own

title of Inspector-General and

make him a "Chief of Defence

Staff like his Nato colleagues.

leave Germany still totally

integrated into the Nato com-

mand structure. "The name is

not important," he says. "It is

just like changing the label on

a bottle of wine. The contents

will remain the same.

The process, he says, will

rate armed forces."

ondarily to serve Nato.

"In this new situation, the role of the German military should not be seen as an answer to an obvious threat." he says. "The task which has been set politically for us soldiers is to provide an instrument for the politicians, so that they can overcome the risks to the external security of the country, and prevent or limit any external conflicts. Gen Naumann's sees the

Bundeswehr undertaking peace-keeping and peace-mak-ing operations. He is convinced that peace can only be restored if peace-making forces carry an adequate threat of force. Within Nato, he is involved

in the controversial debate over strengthening the "European pillar" of the alliance. He believes that not only Russia, but the US too, will be increasingly concerned with domestic issues in the coming years, and Europeans must take on a greater burden within Nato.

"The US as an ally and powerful economic partner will continue to find it easy to influence Europe as a friend, but no longer with such a decisive influence." he says. Nat has a transitional strategy but still has to work out a lasting strategy, he says. That means developing a balanced relationship with the European Community and the Western European Union, the forum within which the EC members of Nato are seeking to develop a separate European defence identity.

The WEU, he says, should remain a bridge between Nato and the EC (as the British would like to see it). But it should also provide Europe with the means to act militarily if the US, or Canada, are not ready to do so. Hence the disposal, headed by the Franco-German idea of a Euro-corps

being warned; and at Javed Miandad's undiplomatic inter-

vention. The match referee's

verdict was almost wholly

unsatisfactory. The bowler was

deservedly fined. His captain

with merely a pointed request to exercise leadership in the

field in the future. Unaccount-

ably, a request in similar vein

was made to the England cap-

tain. Worse was to follow. The

Pakistan manager, Intikhab

Alam, responded to the situa-

tion by making an unwar-

ranted allegation that the

umpire, at the end of the over.

had thrown, not handed, Agib

Javed's sweater to him, sug-

gesting "persecution" of the

Pakistan team by an English

If it is considered sensible to

inject a post-match system of

regulation, much more atten-

tion needs to be paid to proce-

dures and the mode of decision

making. Cricketers who are

subjected to this off-the-field

process, involving potential

criticism and even disciplining,

will rightly call for proper ave-

nues of representation before

the match referee gives his ver-

dict. And the referee's decision

must be properly reasoned if satisfaction to those involved

is to be achieved. This means

that match referees will need

to be appointed according to

their abilities as adjudicators

as well as for cricketing exper-

tise, and not solely for their

Louis Blom-Cooper OC

past cricketing prowess.

umpire.

# A shift of mood favours Clinton

efore his ennoble-ment, Mr Nigel Lawson, the former Brit-ish chancellor, once explained the success of Thatcherism by referring to the tides of history. The Conservatives, he implied, had been borne aloft in the 1980s as much by powerful intellectual currents as by their own efforts. As the Democratic National Convention opens in New York, I wonder whether Governor Bill Clinton and Senator Al Gore may not benefit similarly from tidal forces of unsuspected power. The rise of Thatcherism coin-

cided with a global shift towards free markets. This movement continues, but, in the US, the Democrats may benefit from a powerful crosscurrent. Many now believe that market forces must be supplemented by more effective social and environmental policies. The Clinton/Gore ticket neatly mirrors these anxietles: Mr Clinton has expertise in education, welfare policy and health care; Mr Gore is one of the US's leading environmentalists. Together these babyboomers can speak with authority on the critical issues of the day.

After three years of economic stagnation, economics was bound to play a decisive role in this year's election. But fresh signs that the fragile recovery is again flagging have raised the stakes. The candidate with the most convincing plan for restoring prosperity is certain to have a powerful advantage. Mr Clin-ton – unlike President George Bush or Mr Ross Perot, the likely independent challenger - has a bold and potentially

enormously appealing eco-nomic message for the American people, if only he can articulate it properly. It goes under the rubric of "people A coterie of close advisers

has convinced Mr Clinton that efforts to improve the education and skills of the workforce hold the key to American competitiveness in the next century. The argument - long familiar in Britain - was well



MICHAEL PROWSE on America

put by Mr Robert Reich of Harvard's Kennedy School of Gov-ernment in The Work of Nations (Knopf 1991). Mr Reich a fellow Rhodes scholar at Oxford with Mr Clinton, argued that capital mobility and global competition rendered traditional Democratic approaches to the economy obsolete.

Rather than focusing on measures to sid industry or promote physical investment, the US had to raise the skills and productivity of the American people - the least mobile factor of production - thus raising their wages regardless of the nationality of their employers.

Now listen to Mr Clinton out-

lining his "putting people first" economic strategy last month. "In the emerging global econ-omy, everything is mobile: capital, factories, even entire industries. The only resource that's really rooted in a nation - and the ultimate source of all its wealth - is its people. The ony way America can compete and win in the 21st century is to have the best educated, best trained workforce in the world..."

In proposing ways of improv-ing workforce skills, Mr Clinton has moved well beyond the usual focus on the failings of high schools. He wants to: make employers invest inthe training of all employees (rather than just top executives) by imposing a training levy equivalent to 1.5 per cent

of payroll; • improve access to university by allowing all qualified students to borrow from the government and repay either

through a low tax on subse-

quent earnings or by serving the community for a limited period - for example as police officers or teachers: offer new hope for the

majority of Americans who do not graduate from college by setting up a national appren-ticeship programme loosely based on continental European In America, such proposals

are little short of revolutionary. The argument that invest-ing in people – all the people – will secure greater economic prosperity has a good chance of resonating with the general public. Opinion polls show that voters are confused and dismayed by the stagnation of wages since the 1970s. Mr Clin ton can offer both an explana tion of what went wrong and a cure that sounds plausible.

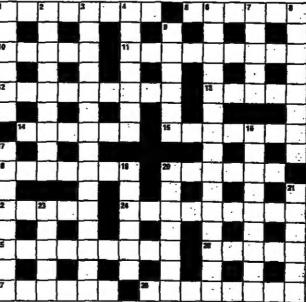
By contrast, the other candi-dates offer shopworn economic recipes. Mr Perot is respected for his own entrepreneuria success. But on economic policy he has advanced a succession of cliches. He talks of eliminating the \$350on budget deficit "without breaking a sweat", yet his only concrete proposal is to cut waste, franc and abuse. He has criticised the free-trade pact being nego-tiated with Mexico on the grounds that US employers cannot compete with Mexican wages. Yet simply restricting US access to cheap labour will do nothing to improve US pro-

ductivity. Mr Bush is even less inspiring. Under his stewardship, the economy has grown more slowly than at any time since the 1930s. He has lost the confdence of conservative supplysiders by acquiescing in mine tax increases and by allowing real federal domestic spending to rise at an annual rate of nearly 9 per cent during his presidency. Yet he has developed no strategy for channelling spending into productive investments, such as those pro posed by the Democrats. If Mr Clinton can lay to rest doubts about his character and cogently articulate his vision of "people first" economics, he has every chance of winning in

# **JOTTER PAD**

### CROSSWORD

No.7,897 Set by DANTE



ACROSS i It may be played on the lawn 5 Feel at home with nurse, so propose! (6) 10 Gather in great numbers for a

11 Tributes paid to organised labour (5,4) 12 Detail of special importance about a star? (9) 13 Rigid measure? (5)

1834 (7)
20 Well-filled vessels (7)
20 Arouse revolutionary tribes
21 Indistinct, and benely changes

(b)
22 Expressions of gratitude and 23 Begin to be a real person (5)
disapproval are forbidden (5)
24 Deft clue is an anagram I
included tricky (6) included, tricky! (9) 25 Philosopher is to alter trans-

26 Mean to get a girl (5)
27 Your first task about midnight is making a dairy product (6)
29 It was instrumental in comwith names of winners on Sat-26 Mean to get a girl (5)

lation (9)

uct (6)
28 It was instrumental in com-bining rest and play (8)

1 Has the plants reordered (6) 2 Real thugs may make a kiliing (9) 3 Two tools for a pound (6,3,6)

4 Gambles heavily in dives (7) 6 Lay out loan for pensions (15) 7 Identical in one quality (5) 8 Didn't stay uninhabited (8) More suitable for one on the assembly line (6) 13 Rigid measure? (5)
14 Suckers for drink (6)
15 He doesn't book good players
17 Life after death? (8)

19 Untidy heap of discarded clothing (6) 26 Well-filled vessels (7)

7.15 (1

#### Notice to Lombard Depositors The following interest rates will apply from 13/7/92 14 DAYS NOTICE Meanur intel GROSS % PA GROSS CAR % PA 5.75 5.88 When the balance is 8.75 9.04 £5,000 and above. CHEQUE SAVINGS ACCOUNTS GROSS % PA GROSS CAR & PA When the balance is £1,000 - £4,999 2.78 5.75 When the balance is 25,000 and above

The Complete Finance Service Deposit Accounts

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